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**Town of Greenwood
Greenwood, Louisiana
General Purpose Financial Statements
As of and for the Year Ended June 30, 2003**

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

Release Date 8-11-04

Town of Greenwood
Greenwood, Louisiana

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Independent Auditors' Report

Town of Greenwood
Greenwood, Louisiana

We have audited the accompanying general purpose financial statements of the Town of Greenwood, Louisiana, as of and for the year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town of Greenwood's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Greenwood, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types 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 our report dated May 17, 2004 on our consideration of the Town of Greenwood's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents and shown on pages 26 – 31 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Town of Greenwood. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.



Cook & Morehart
Certified Public Accountants
May 17, 2004

Town of Greenwood
Greenwood, Louisiana
Combined Balance Sheet All Fund Types and Account Groups
June 30, 2003

	Governmental Fund Types			Proprietary Fund Type	Accounts Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service		General Fixed Assets	Long-Term Debt	
Assets and Other Debits							
Cash	\$ 1,800,377	\$ 313,448	\$ 72,392	\$ 1,406,312	\$	\$	\$ 3,592,529
Receivables -							
Ad valorem	1,050						1,050
Accounts				91,875			91,875
Licenses and permits	97,238						97,238
Other	3,986	3,023		25,617			32,626
Due from other funds	95,441	158,205	209,206	2,401			465,253
Restricted assets - cash				219,695			219,695
Property and equipment, net				3,859,687	2,604,969		6,464,656
Other assets				560			560
Amount available in debt service funds					281,598		281,598
Amount to be provided for retirement of general long-term debt					8,402		8,402
Total assets and other debits	\$ 1,998,092	\$ 474,676	\$ 281,598	\$ 5,606,147	\$ 2,604,969	\$ 290,000	\$ 11,255,482

The accompanying notes are an integral part of this statement.

Town of Greenwood
Greenwood, Louisiana
Combined Balance Sheet All Fund Types and Account Groups
June 30, 2003
(Continued)

	Governmental Fund Types			Proprietary Fund Type	Accounts Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service		General Fixed Assets	General Long-Term Debt	
Liabilities, Fund Equity and Other Credits							
Liabilities:							
Accounts payable	\$ 8,990	\$	\$	\$ 35,405	\$	\$	\$ 44,395
Due to other funds	205,808			259,445			465,253
Sales tax payable				1,963			1,963
Payroll taxes payable	2,504			4,152			6,656
Payable from restricted assets-							
Revenue bonds - current maturities				247,000			247,000
Accrued interest				74,896			74,896
Customers' deposits				88,415			88,415
General obligation bonds payable					290,000		290,000
Revenue bonds payable - long term				3,671,000			3,671,000
Other notes payable				181,640			181,640
Total liabilities	217,302			4,563,916		290,000	5,071,218
Fund equity and other credits:							
Contributed capital				132,772			132,772
Investment in general fixed assets					2,604,969		2,604,969
Retained earnings -							
Reserved for revenue bonds				131,280			131,280
Unreserved				778,179			778,179
Fund balances -							
Reserved for debt service			281,598				281,598
Unreserved, undesignated	1,780,790	474,676					2,255,466
Total fund equity	1,780,790	474,676	281,598	1,042,231	2,604,969	6,184,264	6,184,264
Total liabilities, fund equity and other credits	\$ 1,998,092	\$ 474,676	\$ 281,598	\$ 5,606,147	\$ 2,604,969	\$ 290,000	\$ 11,255,482

The accompanying notes are an integral part of this statement.

Town of Greenwood
Greenwood, Louisiana
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Fund Types
For the Year Ended June 30, 2003

Revenues:	General	Special Revenue	Debt Service	Total (Memorandum Only)
Taxes				
Ad valorem	\$ 82,663	\$	\$ 40,559	\$ 123,222
Franchise	44,318			44,318
Sales		196,910		196,910
Licenses and permits	522,109			522,109
Intergovernmental				
State and federal grants	850			850
Fines and forfeits	420,079			420,079
Other	6,486			6,486
Interest income	60,631	7,062	1,707	69,400
Total revenues	<u>1,137,136</u>	<u>203,972</u>	<u>42,266</u>	<u>1,383,374</u>
Expenditures:				
Current -				
General government	429,908			429,908
Public safety -				
Police	414,722			414,722
Capital outlay	569,667			569,667
Debt service:				
Principal retirement			10,000	10,000
Interest and fiscal charges			15,014	15,014
Total expenditures	<u>1,414,297</u>		<u>25,014</u>	<u>1,439,311</u>
Excess of revenues over (under) expenditures	<u>(277,161)</u>	<u>203,972</u>	<u>17,252</u>	<u>(55,937)</u>
Other financing sources (uses):				
Operating transfers in	100,500			100,500
Operating transfers out		(100,500)		(100,500)
Total other financing sources (uses)	<u>100,500</u>	<u>(100,500)</u>		
Excess of revenues and other sources over (under) expenditures and other uses	<u>(176,661)</u>	<u>103,472</u>	<u>17,252</u>	<u>(55,937)</u>
Fund balances at beginning of year	<u>1,957,451</u>	<u>371,204</u>	<u>264,346</u>	<u>2,593,001</u>
Fund balances at end of year	<u>\$ 1,780,790</u>	<u>\$ 474,676</u>	<u>\$ 281,598</u>	<u>\$ 2,537,064</u>

The accompanying notes are an integral part of this statement.

Town of Greenwood
Greenwood, Louisiana
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget (GAAP Basis) and Actual - General, Special Revenue, and Debt Service Fund Types
For the Year Ended June 30, 2003

	General Fund		Special Revenue Fund Types		Debt Service Fund Type	
	Budget	Actual	Budget	Actual	Budget	Actual
Revenues:						
Taxes						
Ad valorem	\$ 114,500	\$ 82,663	\$ (31,837)	\$	\$ 42,500	\$ 40,559
Franchise	41,000	44,318	3,318			
Sales			196,922	196,910		
Licenses and permits	546,275	522,109	(24,166)	(12)		
Intergovernmental						
State and federal grants	37,000	850	(36,150)			
Fines and forfeits	375,000	420,079	45,079			
Other	21,900	6,486	(15,414)			
Interest income	104,000	60,631	(43,369)	3,100	5,000	1,707
Total revenues	1,239,675	1,137,136	(102,539)	203,972	47,500	(3,293)
			200,022	203,972	47,500	42,266
Expenditures:						
General government	798,615	429,908	368,707	22		
Public safety -						
Police	379,617	414,722	(35,105)			
Capital outlay	937,267	569,667	367,600			
Debt service:						
Principal retirement					6,000	10,000
Interest and fiscal charges					18,000	15,014
Total expenditures	2,115,499	1,414,297	701,202	22	24,000	25,014
						(1,014)
						(4,000)
						2,986

The accompanying notes are an integral part of this statement.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget (GAAP Basis) and Actual - General, Special Revenue, and Debt Service Fund Types
For the Year Ended June 30, 2003
(Continued)

	General Fund		Special Revenue Fund Types		Debt Service Fund Type		Variance- Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	Budget	Actual	
Excess of revenues over (under) expenditures	(875,824)	(277,161)	200,000	203,972	23,500	17,252	(6,248)
Other financing sources (uses):							
Operating transfers in	200,000	100,500					
Operating transfers out	(102,675)		(200,000)	(100,500)			99,500
Other financing sources (uses)	97,325	100,500	(200,000)	(100,500)			99,500
Excess of revenues and other sources over (under) expenditures and other	(778,499)	(176,661)	601,838	103,472	23,500	17,252	(6,248)
Fund balances - July 1, 2002	2,187,078	1,957,451	5,428	371,204	264,346	264,346	264,346
Fund balances - June 30, 2003	\$ 1,408,579	\$ 1,780,790	\$ 5,428	\$ 474,676	\$ 23,500	\$ 281,598	\$ 258,098

The accompanying notes are an integral part of this statement.

Town of Greenwood
Greenwood, Louisiana
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings
All Proprietary Fund Types
For the Year Ended June 30, 2003

	Enterprises
Operating revenues:	
Charges for service-	
Water sales	\$ 535,565
Sewerage service charges	290,201
Other charges and fees	34,595
Total operating revenues	860,361
 Operating expenses:	
Salaries	212,355
Payroll taxes	18,078
Auto and truck expense	3,186
Legal and accounting	10,295
Insurance - general	65,628
Testing	5,506
Maintenance and repairs	149,543
Miscellaneous expenses	12,355
Office expense	38,598
Material and supplies	157,312
Utilities	54,389
Meter reading expense	27,652
Lift Station Expense	18,716
Depreciation	323,229
Total operating expenses	1,096,842
 Operating income (loss)	(236,481)
 Non-operating revenues (expenses):	
Interest income	25,102
Interest expense	(159,662)
Total non-operating revenues (expenses)	(134,560)
 Net income (loss)	(371,041)
 Depreciation transferred to contributions	69,450
Increase (decrease) in retained earnings	(301,591)
 Retained earnings - July 1, 2002	1,211,050
Retained earnings - June 30, 2003	\$ 909,459

The accompanying notes are an integral part of this statement.

Town of Greenwood
Greenwood, Louisiana
Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended June 30, 2003

	Enterprises
Cash flows from operating activities:	
Operating net income (loss)	\$ (236,481)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	323,229
(Increase) decrease in accounts receivable	(16,593)
(Increase) decrease in due from other funds	(2,401)
Increase (decrease) in accounts payable	17,737
Increase (decrease) in payroll taxes payable	3,231
Increase (decrease) in due to other funds	127,580
Increase (decrease) in customers' deposits	(6,698)
Increase (decrease) in accrued interest payable	42,325
	251,929
 Cash flows from capital and related financing activities:	
Principal paid on revenue bonds and notes payable	(140,363)
Interest paid on revenue bonds and notes payable	(159,662)
	(300,025)
 Cash flows from investing activities:	
Interest income	25,102
	25,102
 Net increase (decrease) in cash and cash equivalents	 (22,994)
 Cash and cash equivalents - July 1, 2002	 1,649,001
 Cash and cash equivalents - June 30, 2003	 \$ 1,626,007

The accompanying notes are an integral part of this statement.

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2003

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

The Town of Greenwood is incorporated under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Aldermen form of government.

A. Basis of Presentation

The accompanying general purpose financial statements of the Town of Greenwood have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

As the municipal governing authority, for reporting purposes, the Town of Greenwood is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (Town of Greenwood), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Town of Greenwood for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

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

As required by generally accepted accounting principles, these financial statements present the Town of Greenwood and its component unit. The component unit included in the accompanying financial statements is blended with the Town's funds.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2003
(Continued)

Blended Component Unit

Component units that are legally separate from the Town but are so intertwined with the Town that they are, in substance, the same as the Town are blended component units. For a component unit to be blended, the organization's board and the Town must be substantively the same, or the organization must provide services entirely or almost entirely to the Town. The following component unit is reported as part of the Town and blended with the appropriate Town funds:

Sewerage District No. 1 of the Town of Greenwood

This district was formed for the purpose of financing a phase of the sewer system utilized by the citizens of the Town of Greenwood. The district's activities are reported in the debt service fund, general fixed assets and general long-term debt account groups.

C. Fund Accounting

The Town uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds of the Town are classified into two categories: governmental and proprietary. In turn, each category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Governmental Funds

Governmental funds are used to account for all or most of the Town's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. Governmental funds include:

General Fund – the general operating fund of the Town and accounts for all financial resources except those required to be accounted for in other funds.

Special Revenue Funds – account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds – account for transactions relating to resources retained and used for the payment of principal and interest on those long-term obligations recorded in the general long-term debt account group.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2003
(Continued)

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. Proprietary funds include:

Enterprise Funds – account for operations (a) 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 account groups of the town are described as follows:

General Fixed Assets Account Group

The General Fixed Assets Account Group is used to account for fixed assets used in governmental fund type operations for control purposes. No depreciation is recorded on general fixed assets.

General Long-Term Debt Account Group

The General Long-Term Debt Account Group is used to account for long-term liabilities to be financed from government funds.

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used by governmental fund types. Under the modified accrual basis, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2003
(Continued)

period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, franchise taxes, licenses, interest revenue, and charges for services. Sales taxes collected and held by the collecting government at year-end on behalf of the Town also are recognized as revenue. Fines and permit revenues are not susceptible to accrual because generally they are not measurable until received as cash.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. The proprietary funds use the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time liabilities are incurred.

E. Budget and Budgetary Accounting

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

1. The Town Clerk prepares a proposed budget and submits same to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another, or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2003
(Continued)

7. Budgets for the General, Special Revenue, and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts in the accompanying statements are as originally adopted, or as amended by the Board of Aldermen. Such amendments were not material in relation to the original appropriations.

F. Cash and Cash Equivalents

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

Under state law, the Town of Greenwood, Louisiana may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

G. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

H. Fixed Assets

General Fixed Assets Account Group

Fixed assets of governmental funds are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized (reported) in the general fixed assets account group. Public domain ("infrastructure") general fixed assets are not capitalized along with other general fixed assets. No depreciation has been provided on such assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair value on the date donated. Repairs and maintenance are recorded as expenditures; renewals and betterments are capitalized.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2003
(Continued)

Proprietary Fund

Additions to the utility plant in service are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Sewer and Water System	15 – 40 years
Equipment	5 – 10 years

I. Compensated Absences

The Town's policy allows annual leave based upon years of service. Employees must use all annual leave during the year in which it is earned. Unused annual leave at the end of employee's anniversary date cannot be carry forward. Employees will not receive pay in lieu of unused annual leave.

The Town's policy allows sick leave based upon time worked. Employees may carryover unused sick leave, but will not be paid for unused sick leave upon separation from employment.

J. Long-Term Obligations

Long-term obligations expected to be financed from governmental funds are reported in the general long-term debt account group. Expenditures for principal and interest payments for long-term obligations are recognized in the governmental funds when due. Long-term obligations expected to be financed from proprietary fund operations are accounted for in those funds.

K. Fund Equity

Contributed Capital

Contributed capital is recorded in proprietary funds for capital grants restricted for the acquisition or construction of capital assets. Contributed capital is amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources. This depreciation is closed to the contributed capital account and is reflected as an adjustment to net income.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2003
(Continued)

Reserves

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers of the primary government are reported as operating transfers.

M. Sales Taxes

The Town collects a 1% sales and use tax. After paying reasonable and necessary costs and expenses of collecting and administering the tax, the tax is to be dedicated and used exclusively for the following purposes: general fund and sewerage fund land acquisitions; general fund and sewerage fund capital expenditures; sewerage fund for additions, improvements, and extensions of the sewerage system and general fund for operations.

N. Bad Debts

Uncollectible amounts due for ad valorem taxes, customer's utility receivables, and special assessments are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable.

O. Total Columns on Combined Statements

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in those columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2003
(Continued)

P. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Enterprise Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Q. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

(2) Fund Deficits

The following individual fund has a deficit in unreserved retained earnings at June 30, 2003:

Fund	Deficit Amount
Enterprise Fund – Sewer	<u>\$ (530,857)</u>

(3) Expenditures – Actual and Budget

The following individual fund had actual expenditures over budgeted expenditures for the year ended June 30, 2003:

Fund	Budget	Actual	Unfavorable Variance
Debt Service Fund	\$ 24,000	\$ 25,014	\$ (1,014)

(4) Levied Taxes

Ad valorem taxes are assessed on a calendar year basis and attach as an enforceable lien and become due and payable on the date the tax rolls are filed with the recorder of mortgages. State law requires that the tax roll be filed on or before November 15 of each year. Ad valorem taxes become delinquent if not paid by December 31.

The following is a summary of authorized and levied ad valorem taxes for the year:

	Authorized Millage	Levied Millage	Expiration Date
General Fund	8.56	8.56	2021
Debt Service	variable	4.20	2021

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2003
(Continued)

(5) Cash and Cash Equivalents

The following is a summary of cash and cash equivalents (book balances) at June 30, 2003:

Petty cash	\$ 1,265
Demand deposits	149,978
Interest-bearing demand deposits	1,173,895
Money market accounts	236,000
Time deposits	<u>2,251,086</u>
 Total	 <u>\$ 3,812,224</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. 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.

At June 30, 2003, the Town had \$3,890,343 in deposits (collected bank balances). These deposits are secured from risk by \$600,000 of federal deposit insurance and \$3,290,343 of pledged securities held by the custodial bank in the name of the fiscal agent bank. The accounts are held at three different Louisiana banks.

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

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2003
(Continued)

(6) Fixed Assets

A summary of changes in general fixed assets for the year follows:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Town Hall	\$ 439,958	\$ -	\$ -	\$ 439,958
Vehicle – Town Hall	44,916	7,565	-	52,481
Land	75,000	40,148	-	115,148
Law enforcement equipment	318,440	5,700	-	324,140
Vehicle – police department	60,453	41,765	-	102,218
Furniture and equipment	110,386	7,792	-	118,178
Waterline relocation	75,491	-	-	75,491
Water meters	462,091	-	-	462,091
Street lights	80,132	-	-	80,132
Museum	27,588	44,256	-	71,844
Land – Library	9,991	-	-	9,991
Building – Library	119,973	-	-	119,973
Library – construction	112,446	156,648	-	269,094
Highland subdivision	21,800	265,794	-	287,594
Playground – Park	76,636	-	-	76,636
Total general fixed assets	<u>\$ 2,035,301</u>	<u>\$ 569,668</u>	<u>\$ -</u>	<u>\$ 2,604,969</u>

A summary of proprietary fund type property, plant and equipment at June 30, 2003 follows:

	Water	Sewer	Total
Land	\$ 36,223	\$ 142,436	\$ 178,659
Sewer system	4,180,666	3,099,110	7,279,776
Total	<u>4,216,889</u>	<u>3,241,546</u>	<u>7,458,435</u>
Less accumulated depreciation	(1,036,289)	(2,562,459)	(3,598,748)
Net	<u>\$ 3,180,600</u>	<u>\$ 679,087</u>	<u>\$ 3,859,687</u>

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2003
(Continued)

(7) Pension Plan

Police employees of the Town are members of Municipal Police Employee's Retirement System of Louisiana. This is a statewide retirement system. This system is a cost-sharing, multiple-employer, defined benefit pension plans administered by a separate board of trustees. Pertinent information relative to the plan follows:

All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 per cent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 9.0 percent of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 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 contributions to the System for the years ending June 30, 2003, 2002, and 2001 were \$17,879, \$16,602, and \$12,915, respectively, equal to the required contributions for each year.

(8) Deferred Compensation Plan

During the year ended June 30, 1999, the Town implemented a 457 Deferred Compensation Plan. The amounts contributed by the Town during the years ended June 30, 2003, 2002, and 2001 were \$6,558, \$5,309, and \$7,535, respectively.

(9) Other Postemployment Benefits

The Town provides no other postemployment benefits to its employees.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2003
(Continued)

(10) Changes in General Long-Term Obligations

The following is a summary of the long-term obligation transactions for the year ended June 30, 2003:

	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Other Notes</u>	<u>Total</u>
Obligations payable at July 1, 2002	\$ 300,000	\$ 4,058,363	\$ 181,640	\$ 4,540,003
Less principal payments year ended June 30, 2003	(10,000)	(140,363)	-	(150,363)
Obligations payable at June 30, 2003	<u>\$ 290,000</u>	<u>\$ 3,918,000</u>	<u>\$ 181,640</u>	<u>\$ 4,389,640</u>

Obligations payable at June 30, 2003 are comprised of the following individual issues:

General obligation bonds:

\$207,000 dated 7/1/81; due in annual installments of \$2,000 – \$12,000 through July 1, 2021; interest at 5%.
The debt redemption is paid from the Debt Service Fund.

\$ 145,000

General obligation bonds Sewer District #1:

\$207,000 sewerage utility bonds dated 7/1/81; due in annual installments of \$2,000 – \$12,000 through July 1, 2021; interest at 5%. The debt redemption is paid from the Debt Service Fund.

145,000

Total General Obligation Bonds

\$ 290,000

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2003
(Continued)

(10) Changes in General Long-Term Obligations (Continued)

Sewer revenue refunding bonds:

\$1,300,000 dated 6/14/99. Payments of interest only semiannual and principal and interest payments annual. Annual debt service of approximately \$110,000. Interest rate of 5.40%. Final payment February 1, 2019.

\$ 1,153,000

Water revenue bonds:

\$2,765,000 Refunding Bonds Series 2002 dated August 22, 2002. Payments of interest only semiannual and principal and interest annual. Annual debt service of approximately \$345,000. Interest rate of 4.28%. Final payment August 1, 2012.

2,765,000

Total Revenue Bonds

\$ 3,918,000

Other notes payable

Note payable to State of Louisiana non-interest bearing with no fixed maturity date

\$ 181,640

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2003
(Continued)

(10) Changes in General Long-Term Obligations (Continued)

At June 30, 2003, the Town has accumulated \$281,598 in debt services funds for future debt requirements. The annual requirements to amortize all bonds outstanding at June 30, 2003, including interest of \$156,800 for the General Obligation Bonds and \$1,243,417 for the Revenue Bonds follows:

Year Ending June 30	General Obligation	Revenue	Total
2004	\$ 24,500	\$ 423,324	\$ 447,824
2005	24,000	446,541	470,541
2006	25,500	446,676	472,176
2007	24,900	448,211	473,111
2008	24,300	451,027	475,327
2009 – 2013	125,400	2,285,990	2,411,390
2014 – 2018	123,300	550,032	673,332
2019 – 2023	<u>74,900</u>	<u>109,616</u>	<u>184,516</u>
	<u>\$ 446,800</u>	<u>\$ 5,161,417</u>	<u>\$ 5,608,217</u>

General obligation bonds are secured by an annual ad valorem tax levy. In accordance with Louisiana Revised Statute 39:562, the Town is legally restricted from incurring long-term bonded debt in excess of 35 percent of the assessed value of taxable property in the Town.

(11) Interfund Transactions

Interfund receivables and payables consist of the following at June 30, 2003:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 95,441	\$ 205,808
Special Revenue Fund – sales tax fund	158,205	-
Debt Service	209,206	-
Enterprise – water	1,980	108,007
Enterprise – sewer	<u>421</u>	<u>151,438</u>
	<u>\$ 465,253</u>	<u>\$ 465,253</u>

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2003
(Continued)

(12) Changes in Contributed Capital

The following is a summary of changes in contributed capital:

Balance at June 30, 2002	\$ 202,222
Depreciation transferred to contributed capital	<u>(69,450)</u>
Balance at June 30, 2003	<u>\$ 132,772</u>

(13) Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town.

(14) Restricted Assets – Proprietary Fund Type

Restricted assets were applicable to the following at June 30, 2003:

	<u>Enterprise Fund</u>
Cash:	
Customer deposits	\$ 88,415
Contingency funds – revenue bonds	44,173
Reserve funds – revenue bonds	50,440
Sinking funds – revenue bonds	<u>36,667</u>
	<u>\$ 219,695</u>

(15) Federal Programs

On June 30, 1981, General Obligation Sewer Bonds issued by the Town totaling \$414,000 were purchased by the Farmers Home Administration. The remaining balance of \$290,000 is included in general obligation bonds payable on the accompanying balance sheet.

During the year ended June 30, 2003, The Town received \$850 from federal law enforcement grants.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2003
(Continued)

(16) GASBS No. 34

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (Statement). Certain of the significant changes in the Statement include the following:

For the first time the financial statements will include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Town’s overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Town’s activities, including reporting infrastructure assets (roads, bridges, etc.), as applicable.
- A change in the fund financial statements to focus on the *major* funds.

The general provisions of GASBS No. 34 must be implemented in the year ending June 30, 2004.

(17) Operating Lease

The Town entered into an operating lease on a vehicle. The rental costs paid on the lease for the year ended June 30, 2003 was \$3,339.

Commitments under this lease agreement that has initial or remaining non-cancelable terms in excess of one year is as follows:

<u>For the Year Ending June 30,</u>	
2004	\$ 5,008
2005	5,008
2006	<u>1,669</u>
	<u>\$ 11,685</u>

Supporting Schedules

Town of Greenwood
Greenwood, Louisiana
Combining Balance Sheet
All Proprietary Fund Types
June 30, 2003

	Enterprise		
	Water	Sewer	Total
Assets			
Current assets:			
Cash	\$ 1,177,559	\$ 228,753	\$ 1,406,312
Receivables-			
Accounts	62,532	29,343	91,875
Other	25,439	178	25,617
Due from other funds	1,980	421	2,401
Total current assets	<u>1,267,510</u>	<u>258,695</u>	<u>1,526,205</u>
Restricted assets - cash	106,655	113,040	219,695
Property, plant and equipment:			
Land	36,223	142,436	178,659
Plant and equipment	4,180,666	3,099,110	7,279,776
	<u>4,216,889</u>	<u>3,241,546</u>	<u>7,458,435</u>
Less accumulated depreciation	<u>(1,036,289)</u>	<u>(2,562,459)</u>	<u>(3,598,748)</u>
Net property, plant and equipment	3,180,600	679,087	3,859,687
Other assets	560		560
Total assets	<u>\$ 4,555,325</u>	<u>\$ 1,050,822</u>	<u>\$ 5,606,147</u>

(Continued)

Town of Greenwood
Greenwood, Louisiana
Combining Balance Sheet
All Proprietary Fund Types
June 30, 2003
(Continued)

	Enterprise		
	Water	Sewer	Total
Liabilities and Fund Equity			
Liabilities:			
Current liabilities (payable from current assets) -			
Accounts payable	\$ 30,165	\$ 5,240	\$ 35,405
Due to other funds	108,007	151,438	259,445
Sales tax payable	1,963		1,963
Payroll taxes payable	3,551	601	4,152
Total current liabilities (payable from current assets)	143,686	157,279	300,965
Current liabilities (payable from restricted assets) -			
Revenue bonds	200,000	47,000	247,000
Accrued interest	49,309	25,587	74,896
Customers' deposits	55,125	33,290	88,415
Total current liabilities (payable from restricted assets)	304,434	105,877	410,311
Long-term liabilities -			
Revenue bonds payable	2,565,000	1,106,000	3,671,000
Other notes payable	181,640		181,640
Total liabilities	3,194,760	1,369,156	4,563,916
Fund equity:			
Contributed capital		132,772	132,772
Retained earnings (deficit)			
Reserved for revenue bonds	51,529	79,751	131,280
Unreserved	1,309,036	(530,857)	778,179
Total retained earnings (deficit)	1,360,565	(451,106)	909,459
Total fund equity	1,360,565	(318,334)	1,042,231
Total liabilities and fund equity	\$ 4,555,325	\$ 1,050,822	\$ 5,606,147

Town of Greenwood
Greenwood, Louisiana
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings
All Proprietary Fund Types
For the Year Ended June 30, 2003

	Enterprise		
	Water	Sewer	Total
Operating revenues:			
Charges for service-			
Water sales	\$ 535,565	\$	\$ 535,565
Sewerage service charges		290,201	290,201
Other charges and fees	32,003	2,592	34,595
Total operating revenues	<u>567,568</u>	<u>292,793</u>	<u>860,361</u>
Operating expenses:			
Salaries	147,269	65,086	212,355
Payroll taxes	12,730	5,348	18,078
Contract labor		3,186	3,186
Legal and accounting	5,072	5,223	10,295
Insurance - general	50,255	15,373	65,628
Testing	1,156	4,350	5,506
Maintenance and repairs	116,937	32,606	149,543
Miscellaneous expenses	8,224	4,131	12,355
Office expense	33,658	4,940	38,598
Material and supplies	141,465	15,847	157,312
Utilities	14,201	40,188	54,389
Meter reading expense	27,652		27,652
Lift Station Expense		18,716	18,716
Depreciation	154,523	168,706	323,229
Total operating expenses	<u>713,142</u>	<u>383,700</u>	<u>1,096,842</u>
Operating (loss)	<u>(145,574)</u>	<u>(90,907)</u>	<u>(236,481)</u>
Non-operating revenues (expenses):			
Interest income	22,083	3,019	25,102
Interest expense	(95,919)	(63,743)	(159,662)
Total non-operating (expenses)	<u>(73,836)</u>	<u>(60,724)</u>	<u>(134,560)</u>
Net (loss)	(219,410)	(151,631)	(371,041)
Depreciation transferred to contributions		69,450	69,450
(Decrease) in retained earnings	<u>(219,410)</u>	<u>(82,181)</u>	<u>(301,591)</u>
Retained earnings (deficit) - July 1, 2002	1,579,975	(368,925)	1,211,050
Retained earnings (deficit) - June 30, 2003	<u>\$ 1,360,565</u>	<u>\$ (451,106)</u>	<u>\$ 909,459</u>

Town of Greenwood
Greenwood, Louisiana
Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended June 30, 2003

	Enterprise		
	Water	Sewer	Total
Cash flows from operating activities:			
Operating net (loss)	\$ (145,574)	\$ (90,907)	\$ (236,481)
Adjustments to reconcile operating income to net cash provided by (used) by operating activities:			
Depreciation	154,523	168,706	323,229
(Increase) decrease in accounts receivable	(17,406)	813	(16,593)
(Increase) decrease in due from other funds	(1,980)	(421)	(2,401)
Increase (decrease) in accounts payable	13,083	4,654	17,737
Increase (decrease) in payroll taxes payable	2,968	263	3,231
Increase (decrease) in due to other funds	(4,490)	132,070	127,580
Increase (decrease) in customers' deposits	(4,665)	(2,033)	(6,698)
Increase (decrease) in accrued interest payable	43,324	(999)	42,325
Net cash provided by operating activities	39,783	212,146	251,929
Cash flows from capital and related financing activities:			
Principal paid on revenue bonds and notes payable	(95,363)	(45,000)	(140,363)
Interest paid on revenue bonds and notes payable	(95,919)	(63,743)	(159,662)
Net cash used for capital and related financing activities	(191,282)	(108,743)	(300,025)
Cash flows from investing activities:			
Interest income	22,083	3,019	25,102
Net increase (decrease) in cash and cash equivalents	(129,416)	106,422	(22,994)
Cash and cash equivalents - July 1, 2002	1,413,630	235,371	1,649,001
Cash and cash equivalents - June 30, 2003	\$ 1,284,214	\$ 341,793	\$ 1,626,007

Town of Greenwood
Greenwood, Louisiana
Schedule of Compensation Paid to Members
of the Governing Body
For the Year Ended June 30, 2003

Mayor - Jerry L.Melot, Salary and Allowance	\$ 40,200
Aldermen:	
Rebecca C. Burks	3,000
Bob Massey	3,000
Ernest H. Lampkins	3,000
Jimmy Lynn	3,000
Ellise Wissing	3,000
	<hr/>
	\$ 55,200
	<hr/> <hr/>

Town of Greenwood
Greenwood, Louisiana
Schedule of Insurance in Force
As of June 30, 2003

<u>Insurer</u>	<u>Expiration Date</u>	<u>Description</u>	<u>Coverage Amount</u>
St. Paul Fire & Marine Insurance Company	2-23-04	Commercial Package Policy	
		<u>Property Coverage</u>	
		Buildings	\$ 2,740,771
		Contents	146,635
		<u>General Liability</u>	
		General Liability	2,000,000
		Law Enforcement	2,000,000
		Public Officials	2,000,000
		Sewer Backup	500,000
		Employee Benefit Plans	2,000,000
		<u>Business Auto Policy</u>	
		Liability	2,000,000
		<u>Inland Marine Policy</u>	
		Equipment	680,021
		<u>Bailee Coverage</u>	
		Museum	10,000
Louisiana Workers' Compensation Corporation	8-31-04	Workers' Compensation	1,000,000
CNA Surety	5-07-04	Surety Bond - Tax Collector	250,400
	6-20-04	Surety Bond - Town Clerk	200,000
	3-01-04	Surety Bond - Position Bond - Sewer District	40,000
	5-07-04	Surety Bond - Position Bond	23,400
	3-01-04	Surety Bond - Tax Collector	20,000
	4-07-04	Surety Bond - Asst. Clerk	100,000
	2-26-06	Notary Bond - Town (2)	10,000

COOK & MOREHART

Certified Public Accountants

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CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

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

Town of Greenwood
Greenwood, Louisiana

We have audited the general purpose financial statements of the Town of Greenwood as of and for the year ended June 30, 2003, and have issued our report thereon dated May 17, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of Greenwood's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and questioned costs as items 2003-1; 2003-2; 2003-3; 2003-4; 2003-5; 2003-6 2003-7; 2003-8.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Greenwood's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 Town of Greenwood's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2003-9; 2003-10; 2003-11.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider Finding #2003-11 to be a material weakness.

This report is intended solely for the information and use of management, 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. Under Louisiana Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Cook & Morehart
Certified Public Accountants
May 17, 2004

Town of Greenwood
Greenwood, Louisiana
Summary Schedule of Prior Audit Findings for the Louisiana Legislative Auditor
For the Year Ended June 30, 2003

2002-B1 BANK RECONCILIATIONS

Statement of Condition: During our audit, we noticed that the bank reconciliations and certificate of deposit notices were not reconciled to the Town's general ledger.

Recommendation: We recommend that internal controls be put in place to ensure that all bank reconciliations and certificate of deposit notices are reconciled to the general ledgers periodically.

Current Status: Bank reconciliations and certificates of deposit are now reconciled monthly.

There were four management letter comments for the year ended June 30, 2002. Management's response to those comments are as follows:

Management Letter Comment #1: Fixed Asset Records

See current year finding.

Management Letter Comment #2: Monthly Financial Statements

The Town hired a CPA Firm to began preparing monthly general ledgers and financial statements.

Management Letter Comment #3: Payroll Module

The Town hired a CPA Firm to began preparing monthly general ledgers.

Management Letter Comment #4: Payroll Tax Reports

The Town hired a CPA Firm to prepare the payroll tax reports.

There was one finding relating to state law for the year ended June 30, 2002, as follows:

State Law Finding #2002-1 – Budgeting Control

The notice for the proposed budget for the year ended June 30, 2003 was properly published in the official journal of the Town.

Town of Greenwood
Greenwood, Louisiana
Summary Schedule of Audit Findings for the Louisiana Legislative Auditor
June 30, 2003

Finding #2003-1 – Asset Management Laws

Description of Finding

The Town did not maintain its fixed asset records in accordance with state law.

We recommend that the Town update its fixed assets records in accordance with state law.

Corrective Action Planned

See attached management's response dated June 24, 2004.

Finding #2003-2 – Budgetary Control

Description of Finding

The Town's general fund revenue failed to meet total budgeted revenue by more than 5%. The Louisiana Local Government Budget Act requires that the budget be amended when this event occurs. The Town did not amend its budget.

We recommend that the Town monitor the budgets during the year and amend those budgets when required.

Corrective Action Planned

See attached management's response dated June 24, 2004.

Finding #2003-3 – Public Bid Law

Description of Finding

The Town began construction of a multi-purpose library facility in 2001 and completed the project during the year ended June 30, 2003. Based upon analysis of the activity it appears that the Town violated portions of the bid law in regards to performance bonds and change orders.

We recommend that the Town follow all aspects of the state bid law on future projects.

Corrective Action Planned

See attached management's response dated June 24, 2004.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Summary Schedule of Audit Findings for the Louisiana Legislative Auditor
June 30, 2003
(Continued)

Finding #2003-4 – Debt Restriction Laws

Description of Finding

The Town entered into an operating lease for a vehicle without obtaining State Bond Commission approval. The lease did not contain a non-appropriation clause; therefore the Town should have obtained State Bond Commission approval.

We recommend that the Town follow the debt restriction laws for all debt incurred in the future.

Corrective Action Planned

See attached management's response dated June 24, 2004.

Finding #2003-5 – Correction Due To/From Other Funds

Description of Finding

During our audit we noted that deposits were made into the wrong fund, certain debt payments made out of the wrong fund, transfers of revenues not made or made for incorrect amounts, and matured certificates of deposit deposited into the wrong fund. This created due to/from other funds at June 30, 2003 of \$465,253.

Those funds should be transferred to the appropriate funds in order to eliminate the balances of due to/from other funds and to reflect the appropriate cash balances for each fund.

Corrective Action Planned

See attached management's response dated June 24, 2004.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Summary Schedule of Audit Findings for the Louisiana Legislative Auditor
June 30, 2003
(Continued)

Finding #2003-6 – Legislative Auditor’s Report Dated May 19, 2004

Description of Finding

The Legislative Auditor issued an audit report dated May 19, 2004 which listed approximately eleven (11) recommendations concerning the Town’s deposits, utility billing and collections, and other internal control items. Included in that audit report is management’s response. The report also contains certain allegations in regards to Town funds collected which were not deposited. The report has been delivered to the District Attorney for the First Judicial District which has begun an investigation.

We recommend that the Town follow up and monitor the progress as stated in the management’s response.

Corrective Action Planned

See attached management’s response dated June 24, 2004.

Finding #2003-7 – Debt Service Tax Assessments

Description of Finding

The Town’s debt service fund’s fund balance at June 30, 2003 was approximately \$281,598. Total outstanding principal amount for the associated general obligation debt at June 30, 2003 was \$290,000. It appears that after the due from other funds are transferred back to the debt service fund that there would be sufficient funds to retire the debt without the Town making any additional assessments after the 2003 assessment.

We recommend that the Town seek legal advice from the Bond attorneys that handled the issue and Rural Development, to determine if the debt can be repaid early and therefore eliminate any future assessments or significantly reduce any future assessments.

Corrective Action Planned

See attached management’s response dated June 24, 2004.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Summary Schedule of Audit Findings for the Louisiana Legislative Auditor
June 30, 2003
(Continued)

Finding #2003-8 – Late Submission of Audit Report

Description of Reportable Condition

The Town did not submit its audit report within six months after the end of the fiscal year as required by state law.

Corrective Action Planned

See attached management's response dated June 24, 2004.

Finding #2003-9 – Accounts Receivable/Customer Utility Deposits – Enterprise Fund

Description of Reportable Condition

During our audit we noted that the subsidiary trial balance from the billing software for the water and sewer billing activity was not reconciled month to month and not reconciled to the Town's general ledger.

We recommend someone, other than those individuals who are responsible for the daily receipt of payments from customers, reconcile the subsidiary trial balance for accounts receivable and customer utility deposits on a month to month basis and with the Town's general ledger.

Corrective Action Planned

See attached management's response dated June 24, 2004.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Summary Schedule of Audit Findings for the Louisiana Legislative Auditor
June 30, 2003
(Continued)

Finding #2003-10 – Reserve Accounts on Debt Issues

Description of Reportable Condition

During our audit we noted that the Town did not review the requirements for reserves and sinking fund amounts for the Town's debt issues. It appears that old reserve accounts from previous debt issues are still maintained by the Town.

We recommend the Town review the three (3) debt issues' documentation and implement the appropriate reserves and sinking funds.

Corrective Action Planned

See attached management's response dated June 24, 2004.

Finding #2003-11 – Separation of Duties Deposits

Description of Reportable Condition

During our audit period it was noted that the same Town employee would usually prepare the deposit slips and take the deposits to the bank without reconciliation from another person to the actual receipts received by the Town.

We recommend procedures be implemented to separate the duties involving deposits, especially cash receipts, and to implement procedures whereby the actual deposit made can be traced–reconciled to actual receipts received by the Town.

Corrective Action Planned

See attached management's response dated June 24, 2004.



OFFICE OF THE MAYOR

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JERRY L. MELOT
MAYOR

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6-24-04

RE: Response to Audit Findings-2003 Annual Audit by Cook and Morehart, CPA's

To: Whom it may concern

The 2003 Audit of the Town of Greenwood shows clearly that the Town remains in excellent financial condition. Fund balances are very favorable, debt has declined, and cash deposits are at an all time high. Significant Capital Projects improving Greenwood's infrastructure have been paid for without borrowing.

This is Management's Response to Audit findings-

Finding #1-- Management agrees with this recommendation. The Town worked diligently on its asset and inventory records, but these records were on the computer of the Town Clerk, Melody Hasty. When she was terminated, her computer was placed off limits during the investigation of her activities. These records should be found and maintained by the incoming administration.

Finding #2-- Management agrees with this recommendation. When this administration was notified by Smith, Pugh and Associates that the budget was more than 5% deficient, an amended budget was placed immediately on the next council workshop, which was May, 2003. It passed.

Finding #3-- Management agrees with this recommendation. The Town purchased the flower shop building after the library project was properly bid, and was under renovation. The Project Engineer, Randol Smoak of Cothren, Graff and Smoak Engineering, Inc handled the bidding, contracts, and project management for a fee of approximately \$8000.00, and we trusted them to perform these legal duties for us. Since the additional expenditure was believed to be well under the \$100,000 threshold required by state law, it was not placed out on a separate bid to save money and time. This administration was advised of this infraction by Mr. Jerry Jones, town attorney, and state bid laws have been properly complied with on all other town projects.

Finding #4-- Management agrees with this recommendation. The Town was previously unaware, but now recognizes that leases must go to the State Bond Commission for approval unless a "non-appropriations" clause is included in the lease document. The Town shall implement policies sufficient to ensure inclusion of such language in all lease documents.

Finding #5-- Management agrees with this recommendation. The services of Smith, Pugh and Associates, CPA's were retained in early 2003 to remedy problematic accounting issues. They have provided improved systems and guidelines to streamline our procedures.

Finding #6-- Management agrees with this recommendation. This administration has cooperated with the State Legislative Auditor's Office completely, as well as the Caddo Parish Sheriff's office, and the District Attorney.

Finding #7-- Management agrees with this recommendation. This administration agrees that we should pay off debts early, and eliminate any Debt Tax Assessments possible. The Sewer Revenue Bonds totaling \$1,153,000 should also be retired early using some of the excess funds my administration has created.

Finding #8-- The Town's contracted auditors, Cook and Morehart were responsible to perform the Town's annual audit, and submit this report in a timely manner. They apparently elected to wait until the State Legislative Auditors were finished before they completed their report.

Finding #9-- Management agrees with this recommendation. The firm of Smith, Pugh and Associates have been retained to address and correct these issues.

Finding #10 Management agrees with this recommendation. The firm of Smith, Pugh and Associates have been retained to address and correct these issues.

Finding #11-- Management agrees with this recommendation. The firm of Smith, Pugh and Associates have been retained to address and correct these issues.



Jerry L. Melot
Mayor