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**Town of Greenwood
Greenwood, Louisiana**

Financial Statement with Auditors' Report

As of and For the Year Ended June 30, 2004

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

Release Date 3/16/05

Town of Greenwood
Greenwood, Louisiana

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Town of Greenwood
Greenwood, Louisiana

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Independent Auditors' Report

The Honorable Ernest H. Lamkins, Mayor
and Members of the Town Council
Town of Greenwood
Greenwood, Louisiana

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 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.

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

The management's discussion and analysis and budgetary comparison information on pages 3-10 and on pages 39-40, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as whole. The accompanying financial information listed as other supplementary information in the table of contents and shown on pages 41-42 is presented for purposes of additional analysis and is not a required part of the financial statements of the Town of Greenwood. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Cook & Morehart", with a long horizontal flourish extending to the right.

Cook & Morehart
Certified Public Accountants
December 15, 2004

TOWN OF GREENWOOD

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Greenwood's financial performance provides an overview of the Town of Greenwood's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the Town's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The Town of Greenwood's net assets of our governmental activities increased by \$317,036 or 9%. The Town of Greenwood's net assets of our business-type activities increased by \$599,394 or 56%.
- In the Town's governmental activities, total general and program revenues were \$1,482,001 in 2004. Total expenses, excluding depreciation, totaled \$1,060,113 for the year ended June 30, 2004.
- In the Town's business-type activities, revenues increased by \$902,902, while expenses decreased by \$67,533.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 11 and 12) provide information about the activities of the Town of Greenwood as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town of Greenwood's operations in more detail than the government-wide statements by providing information about the Town of Greenwood's most significant funds.

Reporting the Town of Greenwood as a Whole

Our analysis of the Town of Greenwood as a whole begins on page 11. One of the most important questions asked about the Town of Greenwood's finances is "Is the Town of Greenwood as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the funds maintained by the Town of Greenwood as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town of Greenwood's *net assets* and changes in them. You can think of the Town of Greenwood's net assets – the difference between assets and liabilities – as one way to measure the Town of Greenwood's financial health, or *financial position*. Over time, *increases* or *decreases* in the Town of Greenwood's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base, to assess the overall health of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

Governmental activities – Most of the Town's basic services are reported here, including the police, public works, and general administration. Property taxes, franchise fees, sales taxes, and police department fines, and various other revenues finance most of these activities.

Business-type activities – The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water and sewer system are reported here.

Reporting the Town's Most Significant Funds

Our analysis of the major funds maintained by the Town of Greenwood begins on page 13. The fund financial statements begin on page 13 and provide detailed information about the most significant funds maintained by the Town of Greenwood – not the Town of Greenwood as a whole. The Town of Greenwood's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

Governmental funds – Most of the Town of Greenwood's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Town of Greenwood's general government operations and the expenses paid from those funds. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance certain Town of Greenwood expenses. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.

Proprietary funds – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Town's enterprise funds (a component of proprietary funds) are

the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE TOWN OF GREENWOOD AS A WHOLE

The Town of Greenwood's combined net assets changed from a year ago, increasing from \$4,540,910 to \$5,457,340. The June 30, 2004, year was the first period that GASB Statement 34 was applied. The Town of Greenwood was not required to restate the prior periods for purposes of providing comparative data. However, our analysis below will focus on key elements of the total governmental and proprietary funds for the June 30, 2004 year. In future years, when prior year information is available, a comparative analysis of the funds maintained by the Town of Greenwood will be presented.

Table 1
Net Assets

	Governmental Activities <u>2004</u>	Business-type Activities <u>2004</u>	Total <u>2004</u>
Current and other assets	\$ 3,008,206	\$ 1,209,598	\$4,217,804
Capital assets	<u>1,122,898</u>	<u>4,556,678</u>	<u>5,679,576</u>
Total assets	<u>4,131,104</u>	<u>5,766,276</u>	<u>9,897,380</u>
Current liabilities	72,252	527,148	599,400
Long-term liabilities	<u>270,000</u>	<u>3,570,640</u>	<u>3,840,640</u>
Total liabilities	<u>342,252</u>	<u>4,097,788</u>	<u>4,440,040</u>
Net assets:			
Investments in capital assets, net of related debt	842,898	704,038	1,546,936
Restricted	306,518	964,450	1,270,968
Unrestricted	<u>2,639,436</u>	<u>—</u>	<u>2,639,436</u>
Total net assets	<u>\$ 3,788,852</u>	<u>\$ 1,668,488</u>	<u>\$5,457,340</u>

Net assets of the Town of Greenwood's governmental activities increased by \$317,036 or 9%. Net assets of the Town of Greenwood's business-type activities increased by \$599,394.

Table 2
Change in Net Assets

	Governmental Activities	Business-type Activities	Total
	<u>2004</u>	<u>2004</u>	<u>2004</u>
Revenues			
Program revenues			
Charges for services	\$ 311,351	918,033	1,229,384
Operating grants and contributions	77,446	-	77,446
Capital grants and contributions	6,568	825,176	831,744
General revenues			
Ad valorem taxes	147,570	-	147,570
Sales taxes	237,606	-	237,606
Franchise taxes	40,926	-	40,926
Licenses and permits	546,419	-	546,419
Investment earnings	39,115	45,156	84,271
Miscellaneous	<u>75,000</u>	<u>-</u>	<u>75,000</u>
Total revenues	<u>1,482,001</u>	<u>1,788,365</u>	<u>3,270,366</u>
Expenses			
General government	570,482	-	570,482
Public safety	579,973	-	579,973
Public works	10	-	10
Interest on long-term debt	14,500	-	14,500
Water	-	855,181	855,181
Sewer	<u>-</u>	<u>333,790</u>	<u>333,790</u>
Total expenses	<u>1,164,965</u>	<u>1,188,971</u>	<u>2,353,936</u>
 Increases in net assets	 <u>\$ 317,036</u>	 <u>\$ 599,394</u>	 <u>\$ 916,430</u>

The Town's total revenues increased by 44% (\$1,001,529). The total cost of all programs and services decreased 13% (\$341,879). Our analysis below separately considers the operations of the governmental and business-type activities.

Governmental Activities

Total revenues for the governmental activities increased \$98,627 from total revenues in the year ended June 30, 2003 of \$1,383,374 to total revenues of \$1,482,001 in the year ended June 30, 2004.

The cost of all governmental activities this year was \$1,164,965. These costs were covered by \$395,365 of program revenues, with the remaining costs covered by property taxes, sales taxes, and other general revenues.

Business-type Activities

Total revenues for the business-type activities increased \$902,902 (102%) from total revenues in the year ended June 30, 2003 of \$885,463 to total revenues of \$1,788,365 in the year ended June 30, 2004. The primary reason for the increase was capital contributions from the governmental activities in the amount of \$825,176.

The cost of all business-type activities this year was \$1,188,971. These costs were covered by \$1,743,209 of program revenues, consisting of charges for services assessed to users.

THE TOWN'S FUNDS

As the Town completed the year, its governmental funds (as presented in the balance sheet on page 15) reported a *combined* fund balance of \$2,912,926, which is higher than last year's fund balance, as restated, of \$2,556,968. The primary reason for the excess is a decrease in capital outlay expenditures in the year ended June 30, 2004.

General Fund Budgetary Highlights

The Town adopted a budget for its General Fund for the year ended June 30, 2004. There was one amendment to the budget during the year. The Town's budgetary comparison is presented as required supplementary information and shown on page 39. Highlights for the year are as follows:

- Of the capital outlay budget of \$299,675, only \$54,291 was spent during year ended June 30, 2004.
- Excess of revenues over expenditures for year ended June 30, 200 was \$90,039.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2004, the Town of Greenwood had invested \$5,679,576 in capital assets. (see table 3 below)

Table 3
Capital Assets At Year End
(Net of Depreciation)

	Governmental Activities 2004	Business-type Activities 2004	Total 2004
Land	\$ 125,139	\$ 178,658	\$ 303,797
Buildings and improvements	778,965	–	778,965
Playground – park	47,447	–	47,447
Furniture and equipment	62,973	7,358	70,331
Vehicles	108,374	1,143	109,517
Sewer system	–	450,866	450,866
Water system	–	3,918,653	3,918,653
Total assets (net)	<u>\$ 1,122,898</u>	<u>\$ 4,556,678</u>	<u>\$5,679,576</u>

This year's major additions included:

Water system – including capital contributions from Governmental Funds	\$ –	\$ 991,888	\$ 991,888
Vehicles	<u>39,367</u>	<u>–</u>	<u>39,367</u>
Total	<u>\$ 39,367</u>	<u>\$ 991,888</u>	<u>\$1,031,255</u>

More detailed information about the capital assets are presented in Note 7 to the financial statements.

Debt

At year-end, the Town had \$3,852,640 in bonds and notes outstanding, versus \$4,099,640 last year – a decrease of 6%.

Table 4
Outstanding Debt At Year End

	Governmental Activities 2004	Business-type Activities 2004	Total 2004
General obligation bonds – sewer	\$ 140,000	\$ –	\$ 140,000
General obligation bonds – sewer	140,000	–	140,000
Sewer revenue refunding bonds	–	1,106,000	1,106,000
Water revenue bonds	–	2,565,000	2,565,000
Note payable	–	181,640	181,640
Totals	<u>\$ 280,000</u>	<u>\$ 3,852,640</u>	<u>\$ 4,132,640</u>

State law restricts the amount of debt that the Town of Greenwood may issue. The aggregate principal amount of debt may not exceed 10% of the assessed valuation for property tax purposes of all real and personal property located within the parish. The Town of Greenwood's total debt outstanding at year-end was well below this limitation.

More detailed information about the debt are presented in Note 11 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Town of Greenwood's management considered many factors when setting a fiscal year June 30, 2005 budget. Amounts available for appropriation in the governmental funds are expected to remain substantially the same.

Expenditures for 2005 are expected to remain substantially the same.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the finances for those funds maintained by the Town of Greenwood and to show the Town of Greenwood's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Mayor at P.O. Box 195, Greenwood, LA 71033.

Town of Greenwood
Greenwood, Louisiana
Statement of Net Assets
June 30, 2004

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,348,971	\$ 1,295,835	\$ 3,644,806
Receivables	125,521	111,818	237,339
Prepaid expenses	33,028	32,771	65,799
Internal balances	500,686	(500,686)	
Restricted assets:			
Cash and cash equivalents		269,860	269,860
Land	125,139	178,658	303,797
Depreciable capital assets, net	997,759	4,378,020	5,375,779
Total assets	4,131,104	5,766,276	9,897,380
 Liabilities			
Accounts payable and accrued expenses	62,252	72,715	134,967
Payable from restricted assets:			
Long-term debt due within one year	10,000	282,000	292,000
Accrued interest		70,627	70,627
Customer deposits		101,806	101,806
Non-current liabilities:			
Due in more than one year	270,000	3,570,640	3,840,640
Total liabilities	342,252	4,097,788	4,440,040
 Net Assets			
Invested in capital assets, net of related debt	842,898	704,038	1,546,936
Restricted for:			
Debt Service	306,518	168,054	474,572
Water Utility		746,240	746,240
Sewer Utility		50,156	50,156
Unrestricted	2,639,436		2,639,436
Total net assets	\$ 3,788,852	\$ 1,668,488	\$ 5,457,340

See accompanying notes to the basic financial statements.

Town of Greenwood
Greenwood, Louisiana
Statement of Activities
For the Year Ended June 30, 2004

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Expenses							
Governmental Activities							
General government	\$ 570,482	\$ -	\$ -	\$ (570,482)	\$ -	\$ (570,482)	
Public safety	578,973	77,446	6,568	(184,608)		(184,608)	
Public works	10			(10)		(10)	
Interest on long-term debt	14,500			(14,500)		(14,500)	
Total governmental activities	<u>1,164,965</u>	<u>77,446</u>	<u>6,568</u>	<u>(769,600)</u>		<u>(769,600)</u>	
Business-type Activities							
Water	855,181		825,176		605,764	605,764	
Sewer	333,790				(51,526)	(51,526)	
Total business-type activities	<u>1,188,971</u>		<u>825,176</u>		<u>554,238</u>	<u>554,238</u>	
Total Government	<u>\$ 2,353,936</u>	<u>\$ 77,446</u>	<u>\$ 831,744</u>	<u>(769,600)</u>	<u>554,238</u>	<u>(215,362)</u>	
General revenues:							
Ad valorem taxes				147,570		147,570	
Sales taxes				237,606		237,606	
Franchise taxes				40,926		40,926	
Licenses and permits				546,419		546,419	
Investment earnings				39,115	45,156	84,271	
Miscellaneous				75,000		75,000	
Total general revenues				<u>1,086,636</u>	<u>45,156</u>	<u>1,131,792</u>	
Change in net assets				317,036	599,394	916,430	
Net assets - beginning				3,471,816	1,069,094	4,540,910	
Net assets - ending				<u>\$ 3,788,852</u>	<u>\$ 1,668,488</u>	<u>\$ 5,457,340</u>	

See accompanying notes to the basic financial statements.

Town of Greenwood
Greenwood, Louisiana
Balance Sheet
Governmental Funds
June 30, 2004

	Major Funds		Other Fund	Total Governmental Funds
	General	Sales Tax	Debt Service	
Assets				
Cash and cash equivalents	\$ 1,731,998	\$ 516,399	\$ 100,574	\$ 2,348,971
Receivables	105,644	19,877		125,521
Due from other fund	215,852	199,302	230,444	645,598
Total assets	\$ 2,053,494	\$ 735,578	\$ 331,018	\$ 3,120,090
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued expenses	\$ 62,252	\$	\$	\$ 62,252
Due to other fund	120,412		24,500	144,912
Total liabilities	182,664		24,500	207,164
Fund balances:				
Reserved - debt service			306,518	306,518
Unreserved	1,870,830	735,578		2,606,408
Total fund balances	1,870,830	735,578	306,518	2,912,926
Total liabilities and fund balances	\$ 2,053,494	\$ 735,578	\$ 331,018	\$ 3,120,090

See accompanying notes to the basic financial statements.

Town of Greenwood
Greenwood, Louisiana
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2004

Fund balances - total governmental funds	\$	2,912,926
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Amounts reported for governmental activities in the statement of net assets are different because:

<i>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</i>	1,122,898
--	-----------

The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources.	33,028
--	--------

Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(280,000)</u>
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Net assets of governmental activities	<u>\$</u>	<u>3,788,852</u>
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See accompanying notes to the basic financial statements.

Town of Greenwood
Greenwood, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004

	Major Funds		Other Fund	Total Governmental Funds
	General	Sales Tax	Debt Service	
Revenues:				
Ad valorem taxes	\$ 98,631	\$	\$ 48,939	\$ 147,570
Sales tax		237,606		237,606
Franchise taxes	40,926			40,926
Licenses and permits	546,419			546,419
Intergovernmental revenues	84,014			84,014
Fines and forfeitures	311,351			311,351
Investment earnings	35,232	3,402	481	39,115
Miscellaneous	74,999			74,999
Total revenues	<u>1,191,572</u>	<u>241,008</u>	<u>49,420</u>	<u>1,482,000</u>
Expenditures:				
Current:				
General government	494,838			494,838
Public safety	552,403			552,403
Public works		10		10
Health and welfare				
Capital outlay	54,291			54,291
Debt service:				
Principal retirement			10,000	10,000
Interest and other charges			14,500	14,500
Total expenditures	<u>1,101,532</u>	<u>10</u>	<u>24,500</u>	<u>1,126,042</u>
Excess (deficiency) of revenues over expenditures	90,040	240,998	24,920	355,958
Fund balances at beginning of year, restated	<u>1,780,790</u>	<u>494,580</u>	<u>281,598</u>	<u>2,556,968</u>
Fund balances at end of year	<u>\$ 1,870,830</u>	<u>\$ 735,578</u>	<u>\$ 306,518</u>	<u>\$ 2,912,926</u>

See accompanying notes to the basic financial statements.

Town of Greenwood
Greenwood, Louisiana
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2004

Net change in fund balances - total governmental funds	\$	355,957
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 <i>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. This is the amount by which depreciation (\$104,852) exceeded capital outlays (\$54,291) in the current period.</i>		
		(50,561)
 <i>The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources.</i>		
		1,640
 <i>The repayment of principal of long-term debt consumes current financial resources of governmental funds.</i>		
		10,000
		<hr style="border-top: 1px solid black;"/>
Change in net assets of governmental activities	\$	<u><u>317,036</u></u>

See accompanying notes to the basic financial statements.

Town of Greenwood
Greenwood, Louisiana
Balance Sheet
Proprietary Funds
June 30, 2004

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Totals
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,011,547	\$ 284,288	\$ 1,295,835
Receivables-			
Accounts	61,838	24,381	86,219
Other	25,448	151	25,599
Prepaid insurance	26,518	6,253	32,771
Due from other fund	7,447	2,449	9,896
Total current assets	<u>1,132,798</u>	<u>317,522</u>	<u>1,450,320</u>
Noncurrent assets:			
Restricted cash and cash equivalents	131,994	137,866	269,860
Capital assets:			
Land	36,223	142,435	178,658
Plant and equipment	5,177,455	3,099,110	8,276,565
Less: accumulated depreciation	(1,250,300)	(2,648,245)	(3,898,545)
Total noncurrent assets	<u>4,095,372</u>	<u>731,166</u>	<u>4,826,538</u>
Total assets	<u>\$ 5,228,170</u>	<u>\$ 1,048,688</u>	<u>\$ 6,276,858</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 43,098	\$ 20,657	\$ 63,755
Due to other fund	289,977	220,605	510,582
Sales tax payable	1,963		1,963
Payroll taxes payable	5,778	1,219	6,997
Payable from restricted assets:			
Revenue bonds	232,000	50,000	282,000
Accrued interest	45,742	24,885	70,627
Customer deposits	63,856	37,950	101,806
Total current liabilities	<u>682,414</u>	<u>355,316</u>	<u>1,037,730</u>
Noncurrent liabilities:			
Revenue bonds	2,333,000	1,056,000	3,389,000
Other notes payable	181,640		181,640
Total noncurrent liabilities	<u>2,514,640</u>	<u>1,056,000</u>	<u>3,570,640</u>
Total liabilities	<u>3,197,054</u>	<u>1,411,316</u>	<u>4,608,370</u>
Net assets			
Invested in capital assets, net of related debt	1,216,738	(512,700)	704,038
Restricted for debt service	68,138	99,916	168,054
Unrestricted	746,240	50,156	796,396
Total net assets	<u>2,031,116</u>	<u>(362,628)</u>	<u>1,668,488</u>
Total liabilities and net assets	<u>\$ 5,228,170</u>	<u>\$ 1,048,688</u>	<u>\$ 6,276,858</u>

See accompanying notes to the basic financial statements.

Town of Greenwood
Greenwood, Louisiana
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Totals
Operating revenues:			
Charges for service -			
Water sales	\$ 590,596	\$	\$ 590,596
Sewerage service charges		277,939	277,939
Other charges and fees	45,173	4,325	49,498
Total operating revenues	<u>635,769</u>	<u>282,264</u>	<u>918,033</u>
Operating expenses:			
Salaries	156,730	68,074	224,804
Payroll taxes	12,556	5,205	17,761
Legal and accounting	41,183	18,349	59,532
Insurance	52,294	16,235	68,529
Testing	1,269		1,269
Maintenance and repairs	58,012	27,014	85,026
Miscellaneous expenses	14,115	2,966	17,081
Office expense	36,309	2,286	38,595
Contract labor	38,027	2,258	40,285
Material and supplies	95,231	16,747	111,978
Utilities	18,034	26,071	44,105
Meter reading expense	6,690		6,690
Lift Station Expense		938	938
Depreciation	214,011	85,786	299,797
Total operating expenses	<u>744,461</u>	<u>271,929</u>	<u>1,016,390</u>
Operating income (loss)	<u>(108,692)</u>	<u>10,335</u>	<u>(98,357)</u>
Non-operating revenues (expenses):			
Interest income	42,518	2,638	45,156
Interest expense	(110,720)	(61,861)	(172,581)
Total non-operating revenues (expenses)	<u>(68,202)</u>	<u>(59,223)</u>	<u>(127,425)</u>
Net income before contributions	(176,894)	(48,888)	(225,782)
Capital contributions	825,176		825,176
Change in net assets	648,282	(48,888)	599,394
Net assets - beginning of year, restated	<u>1,382,834</u>	<u>(313,740)</u>	<u>1,069,094</u>
Net assets - end of year	<u>\$ 2,031,116</u>	<u>\$ (362,628)</u>	<u>\$ 1,668,488</u>

See accompanying notes to the basic financial statements.

Town of Greenwood
Greenwood, Louisiana
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004

	Water	Sewer	Total
Cash Flows From Operating Activities			
Receipts from customers	\$ 645,185	\$ 291,913	\$ 937,098
Cash payments to suppliers for goods and services	(350,252)	(98,488)	(448,740)
Cash payments to employees for services	(169,286)	(73,279)	(242,565)
Internal activity - payments from other funds	176,503	67,139	243,642
Other receipts (payments)	560		560
Net Cash From Operating Activities	<u>302,710</u>	<u>187,285</u>	<u>489,995</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition/construction of capital assets	(996,789)		(996,789)
Capital contributions	825,176		825,176
Principal paid on capital debt	(200,000)	(47,000)	(247,000)
Interest paid on capital debt	(114,288)	(62,562)	(176,850)
Net Cash (Used) by Capital and Related Financing Activities	<u>(485,901)</u>	<u>(109,562)</u>	<u>(595,463)</u>
Cash Flow From Investing Activities			
Interest income	42,518	2,638	45,156
Net Cash From Investing Activities	<u>42,518</u>	<u>2,638</u>	<u>45,156</u>
Net increase (decrease) in cash and cash equivalents	(140,673)	80,361	(60,312)
Cash, Beginning of year	<u>1,284,214</u>	<u>341,793</u>	<u>1,626,007</u>
Cash, End of year	<u>\$ 1,143,541</u>	<u>\$ 422,154</u>	<u>\$ 1,565,695</u>
Reconciliation of Operating Loss to Net Cash Provided By/(Used In) Operating Activities			
Operating income (loss)	\$ (108,692)	\$ 10,335	\$ (98,357)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities			
Depreciation expense	214,011	85,786	299,797
Accounts receivable	685	4,989	5,674
Prepaid expenses	(4,248)	(1,659)	(5,907)
Other assets	560		560
Accounts payable	15,160	16,035	31,195
Due to other funds	176,503	67,139	243,642
Customer deposits	8,731	4,660	13,391
Net Cash Flows From Operating Activities	<u>\$ 302,710</u>	<u>\$ 187,285</u>	<u>\$ 489,995</u>

See accompanying notes to the basic financial statements.

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2004

INTRODUCTION

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*.

(1) Summary of Significant Accounting Policies

The Town of Greenwood's financial statements are prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town of Greenwood are discussed below.

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*. Certain significant changes in the Statement include the following:

For the first time the financial statements include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Town of Greenwood's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Town of Greenwood's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Town of Greenwood has elected to implement the general provisions of the Statement in the current year.

A. 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 (the 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 Town of Greenwood are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

GASB Statement No. 14, as amended by GASB Statement No. 39, 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.

In addition, the GASB 39 states that a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if *all* of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. 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.

In addition, other organizations should be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government.

Based on the criteria described above, there are no component units to be included as part of the reporting entity.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

B. Basic Financial Statements – Government-Wide Statements

The Town of Greenwood's basic financial statements include both government-wide (reporting the funds maintained by the Town of Greenwood as a whole) and fund financial statements (reporting the Town of Greenwood's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's sales tax fund, debt service fund, and general fund are classified as governmental activities. The Town's water and sewer services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental activities and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables, as well as long-term debt and obligations. The Town of Greenwood's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town of Greenwood's functions. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations of providing water and sewer services.

The net costs (by function) are normally covered by general revenue (property, sales and use taxes, certain intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the Town of Greenwood as an entity and the change in the Town of Greenwood's net assets resulting from the current year's activities.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Town of Greenwood are recorded in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town of Greenwood:

1. Governmental Funds – the focus of the governmental funds’ measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town of Greenwood:
 - a. General fund is the general operating fund of the Town of Greenwood. It is used to account for all financial resources except those required to be accounted for in another fund.
 - b. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
 - c. Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.
2. Proprietary Funds – the focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:
 - a. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of fund category) for the determination of major funds.

The following major funds are presented in the fund financial statements:

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

General Fund – accounts for all financial resources except those required to be accounted for in another fund.

Sales Tax Fund - accounts for the proceeds of sales taxes levied for fire department maintenance, maintenance of streets, capital construction, and other general purposes of the Town.

Water Fund – accounts for the provision of water services of the Town.

Sewer Fund - accounts for the provision of sewer services of the Town.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. *Revenues are recognized when earned and expenses are recognized when incurred.*

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual: i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that *principal and interest on general obligation long-term debt, if any, is recognized when due.*

E. Budgets

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.

(Continued)

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

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.
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. There was one amendment to the budget during the year.

F. Cash, Cash Equivalents, and Investments

Cash includes amounts in petty cash, demand deposits, interest bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town may deposit funds in demand deposits, interest bearing demand deposits, 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.

Investments are limited by R.S. 33:2955 and the Town's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

G. Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000.00 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

Buildings and improvements	10–30 years
Furniture and equipment	5–10 years
Vehicles	5–10 years
Playground - park	10 years
Water and sewer systems	5 – 40 years

GASBS No. 34 requires the Town to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, bridges, traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is not required. The Town has elected to implement the general provisions of GASBS No. 34 in the current year.

H. Revenues

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. Sales tax revenues are recorded in the period in which the underlying exchange has occurred. Fines, forfeitures, licenses, and permits are recognized in the period they are collected. Interest income on demand and time deposits is recorded when earned. Federal and state grants are recorded when the Town is entitled to the funds.

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Town's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

J. 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.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

K. 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.

L. Interfund Activity

Interfund activity is reported as either loans, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

M. 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.

N. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities in the statement of net assets. Bonds payable are reported net of the applicable bond premium or discount.

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

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

O. 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.

P. Capitalized Interest

The Town capitalizes net interest costs and interest earned as part of the cost of constructing various water and sewer projects when material.

Q. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Water and Sewer Funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

R. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

(2) Change in Accounting Principles and Restatement of Fund Equity

A. Change in Accounting Principle

For the year ended June 30, 2004, the Town has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions"; GASB Statement No. 34, "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments"; GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues"; GASB Statement No. 37, "Basic Financial Statements and Management's Discussion Analysis for State and Local Governments: Omnibus"; GASB Statement No. 38, "Certain Financial Statement Note Disclosures"; and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

B. Restatement of Fund Equity

The restatement due to the implementation of the above statements and interpretation had the following effects on fund equity of the Governmental funds of the Town as previously reported.

	General Fund	Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Fund balance, June 30, 2003	\$ 1,780,790	\$ 474,676	\$ 281,598	\$ 2,537,064
GASB Statement 33/36				
Adjustment—				
Sales taxes	-	19,904	-	19,904
Fund balance, June 30, 2003, restated	<u>1,780,790</u>	<u>494,580</u>	<u>281,598</u>	<u>2,556,968</u>
GASB 34				
Adjustment to Net Assets—				
Prepaid expenses				31,389
Debt				(290,000)
Capital assets, net				<u>1,173,459</u>
Governmental Activities				
Net Assets, June 30, 2003				<u>\$ 3,471,816</u>

(3) Ad Valorem Taxes

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, 2004
(Continued)

(4) Cash and Cash Equivalents

At June 30, 2004, the Town has cash and cash equivalents (book balances) totaling \$3,914,666, of which \$269,860 is shown as a restricted asset.

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, 2004, the Town has \$3,938,337 in deposits (collected bank balances). These deposits are secured from risk by \$600,000 of federal deposit insurance and \$3,338,337 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 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.

(5) Receivables

The following is a summary of receivables at June 30, 2004:

<u>Class of Receivable</u>		
Governmental activities –		
Sales taxes	\$	19,877
Licenses and permits		103,101
Other		<u>2,543</u>
Total governmental activities	\$	<u>125,521</u>
Business-type activities –		
Accounts receivable – water and sewer charges	\$	86,219
Other		<u>25,599</u>
Total business-type activities	\$	<u>111,818</u>

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

(6) Restricted Assets – Proprietary Fund Type

Restricted assets were applicable to the following at June 30, 2004:

	<u>Enterprise Fund</u>
Cash:	
Customer deposits	\$ 101,806
Contingency funds – revenue bonds	34,887
Reserve funds – revenue bonds	30,153
Sinking funds – revenue bonds	<u>103,014</u>
	<u>\$ 269,860</u>

(7) Capital Assets

Capital asset activity for the year ended June 30, 2004, was as follows:

	<u>Balance at July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2004</u>
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 125,139	\$ –	\$ –	\$ 125,139
Capital assets, being depreciated:				
Buildings and improvements	910,431	–	–	910,431
Furniture and equipment	215,803	12,013	–	227,816
Vehicles	154,699	39,367	–	194,066
Playground – park	<u>76,739</u>	<u>2,911</u>	<u>–</u>	<u>79,650</u>
Total capital assets, being depreciated, at historical cost	<u>1,357,672</u>	<u>54,291</u>	<u>–</u>	<u>1,411,963</u>
Less accumulated depreciation:				
Buildings and improvements	(97,631)	(33,835)	–	(131,466)
Furniture and equipment	(134,588)	(30,255)	–	(164,843)
Vehicles	(51,567)	(34,125)	–	(85,692)
Playground – park	<u>(25,566)</u>	<u>(6,637)</u>	<u>–</u>	<u>(32,203)</u>
Total accumulated depreciation	<u>(309,352)</u>	<u>(104,852)</u>	<u>–</u>	<u>(414,204)</u>
Total capital assets, being depreciated, net	<u>1,048,320</u>	<u>(50,561)</u>	<u>–</u>	<u>997,759</u>
Governmental activities capital assets, net	<u>\$ 1,173,459</u>	<u>\$ (50,561)</u>	<u>\$ –</u>	<u>\$ 1,122,898</u>

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

	<u>Balance at July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2004</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 178,658	\$ —	\$ —	\$ 178,658
Capital assets, being depreciated:				
Sewer system	3,096,611	—	—	3,096,611
Water system	4,113,885	991,888	—	5,105,773
Furniture and equipment	24,846	4,902	—	29,748
Vehicles	44,433	—	—	44,433
Total capital assets, being depreciated, at historical cost	<u>7,279,775</u>	<u>996,790</u>	<u>—</u>	<u>8,276,565</u>
Less accumulated depreciation:				
Sewer system	(2,559,959)	(85,786)	—	(2,645,745)
Water system	(977,891)	(209,229)	—	(1,187,120)
Furniture and equipment	(21,697)	(693)	—	(22,390)
Vehicles	(39,201)	(4,089)	—	(43,290)
Total accumulated depreciation	<u>(3,598,748)</u>	<u>(299,797)</u>	<u>—</u>	<u>(3,898,545)</u>
 Total capital assets, being depreciated, net	 <u>3,681,027</u>	 <u>696,993</u>	 <u>—</u>	 <u>4,378,020</u>
 Business-type activities capital assets, net	 <u>\$ 3,859,685</u>	 <u>\$ 696,993</u>	 <u>\$ —</u>	 <u>\$ 4,556,678</u>

Depreciation expense was charged to Governmental and Business-type Activities as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Public safety	\$ 41,544	\$ —	\$ 41,544
General government	63,308	—	63,308
Water	—	214,011	214,011
Sewer	—	85,786	85,786
Total	<u>\$ 104,852</u>	<u>\$ 299,797</u>	<u>\$ 404,649</u>

No prior accumulated depreciation was calculated on capital assets disposed of as of July 1, 2003, for purposes of GASB 34 conversion.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

(8) Interfund balances at June 30, 2004 consisted of the following:

	<u>Due From Other Fund</u>	<u>Due To Other Fund</u>	<u>Net</u>
Governmental Funds:			
General	\$ 215,852	\$ 120,412	\$ 95,440
Sales tax	199,302		199,302
Non-major governmental	<u>230,444</u>	<u>24,500</u>	<u>205,944</u>
Total Governmental Funds	<u>645,598</u>	<u>144,912</u>	<u>500,686</u>
Enterprise Funds:			
Water	7,447	289,977	(282,530)
Sewer	<u>2,449</u>	<u>220,605</u>	<u>(218,156)</u>
Total Enterprise Funds	<u>9,896</u>	<u>510,582</u>	<u>(500,686)</u>
Total	<u>\$ 655,494</u>	<u>\$ 655,494</u>	<u>\$ -</u>

The interfund balances are the result of the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

(9) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2004, consisted of the following:

<u>Class of Payable</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts	\$ 56,042	\$ 63,755	\$ 119,797
Sales taxes payable		1,963	1,963
Payroll taxes	<u>6,210</u>	<u>6,997</u>	<u>13,207</u>
Total	<u>\$ 62,252</u>	<u>\$ 72,715</u>	<u>\$ 134,967</u>

(10) Customers' Deposits

Deposits held for customers that are currently active on the water and sewer systems total \$101,806 at June 30, 2004.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

(11) Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 145,000	\$ -	\$ (5,000)	\$ 140,000	\$ 5,000
General Obligation Bonds – Sewer	<u>145,000</u>	<u>-</u>	<u>(5,000)</u>	<u>140,000</u>	<u>5,000</u>
Total–Governmental Activities	<u>\$ 290,000</u>	<u>\$ -</u>	<u>\$ (10,000)</u>	<u>\$ 280,000</u>	<u>\$ 10,000</u>
Business-type Activities:					
Sewer Revenue Refunding Bonds	\$ 1,153,000	\$ -	\$ (47,000)	\$ 1,106,000	\$ 50,000
Water Revenue Bonds	2,765,000	-	(200,000)	2,565,000	232,000
Note Payable	<u>181,640</u>	<u>-</u>	<u>-</u>	<u>181,640</u>	<u>-</u>
Total Business-type Activities	<u>\$ 4,099,640</u>	<u>\$ -</u>	<u>\$ (247,000)</u>	<u>\$ 3,852,640</u>	<u>\$ 282,000</u>

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

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. \$ 140,000

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 140,000

Total general obligations bonds \$ 280,000

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 \$ 1,106,000

Water revenue bonds:

\$2,565,000 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 2,565,000

Other notes payable:

Note payable to State of Louisiana non-interest bearing with no fixed maturity date 181,640

Total revenue bonds payable \$ 3,852,640

Payments on general obligation bonds are made from debt service funds. Payments on sewer revenue refunding bonds are made from the sewer fund. Payments on the water revenue bonds are made from the water fund.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

Debt service requirements at June 30, 2004, were as follows:

Governmental Activities – General Obligation Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 10,000	\$ 14,000
2006	12,000	13,500
2007	12,000	12,900
2008	12,000	12,300
2009	14,000	11,700
2010–2014	76,000	47,700
2015–2019	98,000	26,700
2020–2024	46,000	3,500
	<u>\$ 280,000</u>	<u>\$ 142,300</u>

Business-Type Activities – Sewer Revenue Refunding Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 50,000	\$ 59,724
2006	52,000	57,024
2007	55,000	54,216
2008	58,000	51,246
2009	61,000	48,114
2010–2014	359,000	187,434
2015–2019	471,000	78,894
	<u>\$ 1,106,000</u>	<u>\$ 536,652</u>

Business-Type Activities – Water Revenue Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 232,000	\$ 104,817
2006	243,000	94,652
2007	255,000	83,995
2008	269,000	72,781
2009	283,000	60,968
2010–2014	1,283,000	113,226
	<u>\$ 2,565,000</u>	<u>\$ 530,439</u>

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

(12) Risk Management

The Town purchases commercial insurance to provide workers compensation coverage and general liability and property insurance. There were no significant reductions in insurance coverage from the previous year.

(13) Operating Lease

The Town leases a vehicle and some equipment under operating leases. The rental costs paid on these leases for the year ended June 30, 2004 were \$5,841.

Commitments under lease agreements having initial or remaining non-cancelable terms in excess of one year are as follows:

For the Year Ending <u>June 30,</u>	
2005	\$ 6,257
2006	2,710
2007	625
2008	<u>417</u>
	<u>\$ 10,009</u>

(14) 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.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

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 15.25 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, 2004, 2003, and 2002 were \$30,431, \$17,879, and \$16,602, respectively, equal to the required contributions for each year.

(15) 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, 2004, 2003, and 2002 were \$12,297, \$6,558, and \$5,309, respectively.

(16) Other Postemployment Benefits

The Town provides no other postemployment benefits to its employees.

Town of Greenwood
Greenwood, Louisiana
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 170,665	\$ 106,700	\$ 98,631	\$ (8,069)
Franchise taxes	42,365	42,365	40,926	\$ (1,439)
Licenses and permits	571,210	506,110	546,419	40,309
Intergovernmental revenues	27,000	5,000	84,014	79,014
Fines and forfeitures	438,908	346,960	311,351	(35,609)
Investment earnings	45,000	45,000	35,232	(9,768)
Miscellaneous	24,705	24,705	74,999	50,294
Total revenues	1,319,853	1,076,840	1,191,572	114,732
Expenditures:				
Current:				
General government	978,458	687,098	494,839	192,259
Public safety	548,197	548,197	552,403	(4,206)
Capital outlay	299,675	299,675	54,291	245,384
Total expenditures	1,826,330	1,534,970	1,101,533	433,437
Excess (deficiency) of revenues over expenditures	(506,477)	(458,130)	90,039	548,169
Other financing sources (uses):				
Transfers in	217,800			
Transfers out	(121,705)			
Total other financing sources (uses)	96,095			
Excess (deficiency) of revenues and other sources over expenditures and other uses	(410,382)	(458,130)	90,039	548,169
Fund balances at beginning of year	1,801,866	1,766,862	1,780,790	13,928
Fund balances at end of year	\$ 1,391,484	\$ 1,308,732	\$ 1,870,829	\$ 562,097

See accompanying note to the required supplementary schedule.

Town of Greenwood
Greenwood, Louisiana
Required Supplementary Information
Budgetary Comparison Schedule
Sales Tax Fund
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales tax	\$ 239,000	\$ 239,000	\$ 237,606	\$ (1,394)
Investment earnings	2,700	2,700	3,402	702
Total revenues	241,700	241,700	241,008	(692)
Expenditures:				
Current:				
Public works	23,922	23,922	10	23,912
Total expenditures	23,922	23,922	10	23,912
Excess (deficiency) of revenues over expenditures	217,778	217,778	240,998	23,220
Fund balances at beginning of year, restated	481,595	474,676	494,580	19,904
Fund balances at end of year	\$ 699,373	\$ 692,454	\$ 735,578	\$ 43,124

See accompanying note to the required supplementary schedule.

Schedule 6

Town of Greenwood
Greenwood, Louisiana
Schedule of Insurance in Force
As of June 30, 2004

<u>Insurer</u>	<u>Expiration Date</u>	<u>Description</u>	<u>Coverage</u>	<u>Amount</u>	
St. Paul Fire & Marine Insurance Company	02-23-05	Commercial Package Policy			
		<u>Property Coverage</u>			
			Buildings	\$ 2,735,100	
			Contents	136,715	
			<u>General Liability</u>		
			General Liability	2,000,000	
			Law Enforcement	2,000,000	
			Public Officials	2,000,000	
			Sewer Backup	100,000	
			Employee Benefit Plans	2,000,000	
		<u>Business Auto Policy</u>			
		Liability	2,000,000		
		<u>Inland Marine Policy</u>			
		Equipment	690,021		
		Workers' Compensation	1,000,000		
Louisiana Workers' Compensation Corporation	08-31-04	Surety Bond - Tax Collector and Mayor		250,400	
		Surety Bond - Town Clerk		200,000	
			Surety Bond - Position Bond - Sewer District		50,000
			Surety Bond - Position Bond		23,400
			Surety Bond - Asst. Clerk		100,000
			Notary Bond - Town		10,000
			Surety Bond - Town Clerk		100,000
			Surety Bond - Assistant Town Clerk		100,000
	CNA Surety	05-07-05			
		06-20-04			
03-01-05					
05-07-05					
04-07-05					
02-26-06					
09-22-05					
09-22-05					

Town of Greenwood
Greenwood, Louisiana
Schedule of Compensation Paid to Board Members
For the Year Ended June 30, 2004

Mayor - Jerry Melot, Salary and Allowance	\$ 38,746
Alderman:	
Rebecca C. Burks	3,000
Bob Massey	3,000
Ernest H. Lampkins	3,000
Jimmy Lynn	3,000
Ellise Wissing	3,000
	<hr/>
	\$ 53,746
	<hr/> <hr/>

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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 accompanying primary government financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Greenwood, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 15, 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 Town of Greenwood's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 2004-1; 2004-2; 2004-3; 2004-4; 2005-11.

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 2004-5; 2004-6; 2004-7; 2004-8; 2004-9; 2004-10.

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 #2004-7 to be a material weakness.

This report is intended solely for the information and use of management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Cook & Morehart", written in a cursive style.

Cook & Morehart
Certified Public Accountants
December 15, 2004

Town of Greenwood
Greenwood, Louisiana
Summary Schedule of Prior Audit Findings for the Louisiana Legislative Auditor
June 30, 2004

There were eleven findings in the prior audit for the year ended June 30, 2003. The current status of those findings is as follows:

Finding #2003-1 – Asset Management Laws

Description of Finding

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

Current Status

The Town did update its fixed asset records for the June 30, 2004 audit.

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.

Current Status

No finding in regards to the Louisiana Local Government Budget Act in June 30, 2004 year audit.

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.

Current Status

No bid law findings in the June 30, 2004 year audit.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Summary Schedule of Prior Audit Findings for the Louisiana Legislative Auditor
June 30, 2004
(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.

Current Status

Town is paying on the lease.

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.

Current Status

See repeat finding for June 30, 2004 year.

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.*

Current Status

The District Attorney is in process of prosecuting the previous Town Clerk. See repeat finding in June 30, 2004 year audit.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Summary Schedule of Prior Audit Findings for the Louisiana Legislative Auditor
June 30, 2004
(Continued)

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.

Current Status

The debt was paid off August, 2004.

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.

Current Status

Repeat finding for the June 30, 2004 audit year.

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.

Current Status

Repeat finding for the June 30, 2004 audit year.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Summary Schedule of Prior Audit Findings for the Louisiana Legislative Auditor
June 30, 2004
(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.

Current Status

Repeat finding for the June 30, 2004 year audit.

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.

Current Status

Repeat finding for the June 30, 2004 year audit.

Town of Greenwood
Greenwood, Louisiana
Summary Schedule of Audit Findings for the Louisiana Legislative Auditor
June 30, 2004

Finding #2004-1 – Debt – Obligation Procedures

Description of Finding

During the year ended June 30, 2004, the Police Chief signed a long-term lease with a vendor for police equipment. The Town Council and the Mayor, which took office effective July 1, 2004, voted to purchase the equipment, which was on a state contract, and cancel the lease.

It would appear that the Police Chief did not have the authority to obligate the Town on such a debt instrument.

We recommend that procedures be adopted to ensure that the Town will not incur debt or obligations without proper authorization.

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

Corrective Action Planned

The Town has implemented procedures which will ensure that the Town is in compliance with debt restriction laws.

Finding #2004-2 – 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, 2004 of \$500,686.

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

All due to from other funds have been corrected.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Summary Schedule of Audit Findings for the Louisiana Legislative Auditor
June 30, 2004
(Continued)

Finding #2004-3 – 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 to that report.

Corrective Action Planned

The Town has implemented internal controls for all departments which will ensure full compliance with state laws.

Finding #2004-4 – 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

The Town is now in position to be timely with the audit submissions.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Summary Schedule of Audit Findings for the Louisiana Legislative Auditor
June 30, 2004
(Continued)

Finding #2004-5 – 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

The Town has implemented procedures which ensure that someone other than utility personnel reconciles the utility deposits/reports.

Finding #2004-6 – 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 debt issues' documentation and implement the appropriate reserves and sinking funds.

Corrective Action Planned

All reserve accounts have been brought up to par.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Summary Schedule of Audit Findings for the Louisiana Legislative Auditor
June 30, 2004
(Continued)

Finding #2004-7 - 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 and that deposits are made daily.

Corrective Action Planned

Procedures have been implemented to separate duties involving deposits. Procedures have also been implemented whereby deposits can be reconciled to actual receipts; also deposits are made on a daily basis.

Finding #2004-8 - Old Outstanding Checks

Description of Reportable Condition

During our audit we noted that there were numerous old outstanding checks still listed on the bank reconciliations.

We recommend that the Town resolve the old outstanding checks and follow up on a routine basis when checks do not clear the bank in a timely manner.

Corrective Action Planned

All outstanding checks have been reconciled and are up-to-date.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Summary Schedule of Audit Findings for the Louisiana Legislative Auditor
June 30, 2004
(Continued)

Finding #2004-9 – Posting Revenue on Town’s General Ledger

Description of Reportable Condition

During our audit we noted that significant deposits for various revenues of Town were posted to miscellaneous income instead of the correct revenue accounts.

We recommend that deposits be properly posted to the current accounts in the Town’s general ledger.

Corrective Action Planned

We have implemented procedures which ensure deposits are properly posted to the Town’s general ledger.

Finding #2004-10 – Documentation for Disbursements

Description of Reportable Condition

During our audit of disbursements, we noted that invoices substantiating certain expenditures were not available and that sometimes copies of invoices were used for documentation.

We recommend that the Town pay vendors from original invoices and maintain those invoices for documentation purposes.

Corrective Action Planned

The Town has implemented internal controls which ensure that vendors are paid only from original invoices, and improved the recordkeeping for documentation.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Summary Schedule of Audit Findings for the Louisiana Legislative Auditor
June 30, 2004
(Continued)

Finding #2004-11 – Documentation for Payroll

Description of Reportable Condition

The Town paid six employees on June 25, 2004 for their regular payroll for the two weeks then ended, two weeks severance pay, and unused annual leave –vacation pay. Also, three of those employees were paid unused sick leave and compensatory time.

No documentation was made available to substantiate the vacation–annual leave, sick leave and compensatory time that was paid. It appears that some of these payments violate the Town’s Municipal Employment Ordinance.

We recommend that the Town’s Attorney be consulted to resolve the above mentioned payments.

Corrective Action Planned

The Town is consulting with their attorney and the Caddo Parish District Attorney’s Office regarding these payments.