

**Town of Greenwood
Greenwood, Louisiana
General Purpose Financial Statements
As of and for the Year Ended June 30, 2002**

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 3/19/03

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, 2002, 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, 2002, 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 December 17, 2002 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.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. 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 stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

The accompanying financial information listed as supporting schedules in the table of contents and shown on pages 27–32 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.

A handwritten signature in black ink, appearing to read "Cook & Morehart", with a stylized flourish extending from the end.

Cook & Morehart
Certified Public Accountants
December 17, 2002

Town of Greenwood
Greenwood, Louisiana
Combined Balance Sheet All Fund Types and Account Groups
June 30, 2002

	Governmental Fund Types			Proprietary Fund Type	Accounts Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Enterprise	General Fixed Assets	General Long-Term Debt	
Assets and Other Debits							
Cash	\$ 1,757,400	\$ 361,262	\$ 257,723	\$ 1,305,593	\$	\$	\$ 3,681,978
Receivables -							
Ad valorem	5,570						5,570
Accounts				76,012			76,012
Licenses and permits	97,238						97,238
Other		9,942		24,887			34,829
Due from other funds	131,865		6,623				138,488
Restricted assets - cash				343,408			343,408
Property and equipment, net				4,182,916	2,035,301		6,218,217
Other assets				560			560
Amount available in debt service funds						264,346	264,346
Amount to be provided for retirement of general long-term debt						35,654	35,654
Total assets and other debits	\$ 1,992,073	\$ 371,204	\$ 264,346	\$ 5,933,376	\$ 2,035,301	\$ 300,000	\$ 10,896,300

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, 2002
(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	\$ 20,745	\$	\$	\$ 17,668	\$	\$	\$ 38,413
Due to other funds	6,623			131,865			138,488
Sales tax payable				1,963			1,963
Payroll taxes payable	7,254			921			8,175
Payable from restricted assets-							
Revenue bonds - current maturities				66,312			66,312
Accrued interest				32,571			32,571
Customers' deposits				95,113			95,113
General obligation bonds payable						300,000	300,000
Revenue bonds payable - long term				3,992,051			3,992,051
Other notes payable				181,640			181,640
Total liabilities	34,622			4,520,104		300,000	4,854,726
Fund equity and other credits:							
Contributed capital				202,222			202,222
Investment in general fixed assets					2,035,301		2,035,301
Retained earnings -							
Reserved for revenue bonds				248,295			248,295
Unreserved				962,755			962,755
Fund balances -							
Reserved for debt service			264,346				264,346
Unreserved, undesignated	1,957,451	371,204					2,328,655
Total fund equity	1,957,451	371,204	264,346	1,413,272	2,035,301		6,041,574
Total liabilities, fund equity and other credits	\$ 1,992,073	\$ 371,204	\$ 264,346	\$ 5,933,376	\$ 2,035,301	\$ 300,000	\$ 10,896,300

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, 2002

	General	Special Revenue	Debt Service	Total (Memorandum Only)
Revenues:				
Taxes				
Ad valorem	\$ 92,690	\$	\$ 45,697	\$ 138,387
Franchise	48,429			48,429
Sales		193,673		193,673
Licenses and permits	584,051			584,051
Intergovernmental				
State and federal grants	158,069			158,069
Fines and forfeits	464,920			464,920
Other	3,333			3,333
Interest income	78,269	14,123	1,435	93,827
Total revenues	1,429,761	207,796	47,132	1,684,689
Expenditures:				
Current -				
General government	442,798			442,798
Public safety -				
Police	348,307			348,307
Capital outlay	729,051			729,051
Debt service:				
Principal retirement			10,000	10,000
Interest and fiscal charges			15,500	15,500
Total expenditures	1,520,156		25,500	1,545,656
Excess of revenues over (under) expenditures	(90,395)	207,796	21,632	139,033
Other financing sources (uses):				
Operating transfers in	200,000			200,000
Operating transfers out		(200,000)		(200,000)
Total other financing sources (uses)	200,000	(200,000)		
Excess of revenues and other sources over expenditures and other uses	109,605	7,796	21,632	139,033
Fund balances at beginning of year	1,847,846	363,408	242,714	2,453,968
Fund balances at end of year	\$ 1,957,451	\$ 371,204	\$ 264,346	\$ 2,593,001

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, 2002

	General Fund			Special Revenue Fund Types			Debt Service Fund Type		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:									
Taxes									
Ad valorem	\$ 123,500	\$ 92,690	\$ (30,810)	\$	\$	\$	\$ 42,500	\$ 45,697	\$ 3,197
Franchise	20,000	48,429	28,429						
Sales				205,000	193,673	(11,327)			
Licenses and permits	512,000	584,051	72,051						
Intergovernmental									
State and federal grants	156,000	158,069	2,069						
Fines and forfeits	250,000	464,920	214,920						
Other	22,400	3,333	(19,067)						
Interest income	104,000	78,269	(25,731)	2,500	14,123	11,623	5,000	1,435	(3,565)
Total revenues	1,187,900	1,429,761	241,861	207,500	207,796	296	47,500	47,132	(368)
Expenditures:									
General government	931,705	442,798	488,907	2,072		2,072			
Public safety									
Police	351,071	348,307	2,764						
Capital outlay	804,767	729,051	75,716						
Debt service:									
Principal retirement							6,000	10,000	(4,000)
Interest and fiscal charges							18,000	15,500	2,500
Total expenditures	2,087,543	1,520,156	567,387	2,072		2,072	24,000	25,500	(1,500)

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, 2002
(Continued)

	General Fund		Special Revenue Fund Types			Debt Service Fund Type		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual
Excess of revenues over (under) expenditures	(899,643)	(90,395)	809,248	205,428	207,796	2,368	23,500	21,632
Other financing sources (uses):								
Operating transfers in	200,000	200,000		(200,000)	(200,000)			
Operating transfers out								
Other financing sources (uses)	200,000	200,000		(200,000)	(200,000)			
Excess of revenues and other sources over (under) expenditures and other	(699,643)	109,605	809,248	5,428	7,796	2,368	23,500	21,632
Fund balances - July 1, 2001	1,746,590	1,847,846	101,256	268,783	363,408	94,625	239,532	242,714
Fund balances - June 30, 2002	\$ 1,046,947	\$ 1,957,451	\$ 910,504	\$ 274,211	\$ 371,204	\$ 96,993	\$ 263,032	\$ 264,346
								\$ 1,314

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, 2002

	<u>Enterprises</u>
Operating revenues:	
Charges for service-	
Water sales	\$ 598,533
Sewerage service charges	282,608
Other charges and fees	7,609
Total operating revenues	<u>888,750</u>
Operating expenses:	
Salaries	191,350
Payroll taxes	8,862
Auto and truck expense	24
Legal and accounting	4,428
Insurance - general	57,736
Testing	5,480
Maintenance and repairs	56,487
Miscellaneous expenses	11,887
Office expense	23,196
Material and supplies	159,977
Utilities	36,343
Meter reading expense	30,713
Sales taxes	22,461
Lift Station Expense	21,893
Depreciation	325,753
Total operating expenses	<u>956,590</u>
Operating income (loss)	<u>(67,840)</u>
Non-operating revenues (expenses):	
Interest income	69,346
Interest expense	(261,209)
Total non-operating revenues (expenses)	<u>(191,863)</u>
Net income (loss)	(259,703)
Depreciation transferred to contributions	69,450
Increase (decrease) in retained earnings	<u>(190,253)</u>
Retained earnings - July 1, 2001	1,401,303
Retained earnings - June 30, 2002	<u><u>\$ 1,211,050</u></u>

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, 2002

	<u>Enterprises</u>
Cash flows from operating activities:	
Operating net income (loss)	\$ (67,840)
Adjustments to reconcile operating income to net cash provided by (used) by operating activities:	
Depreciation	325,753
(Increase) decrease in accounts receivable	(20,660)
(Increase) decrease in due from other funds	46,510
Increase (decrease) in accounts payable	7,574
Increase (decrease) in payroll taxes payable	(973)
Increase (decrease) in due to other funds	39,141
Increase (decrease) in customers' deposits	(11,156)
Increase (decrease) in accrued interest payable	(3,325)
	<u>315,024</u>
Net cash provided by operating activities	
	<u>315,024</u>
Cash flows from capital and related financing activities:	
Principal paid on revenue bonds and notes payable	(73,346)
Interest paid on revenue bonds and notes payable	(261,209)
	<u>(334,555)</u>
Net cash used for capital and related financing activities	
	<u>(334,555)</u>
Cash flows from investing activities:	
Interest income	69,346
	<u>69,346</u>
Net increase (decrease) in cash and cash equivalents	49,815
Cash and cash equivalents - July 1, 2001	<u>1,599,186</u>
Cash and cash equivalents - June 30, 2002	<u><u>\$ 1,649,001</u></u>

The accompanying notes are an integral part of this statement.

**Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
June 30, 2002**

(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
(Continued)
June 30, 2002

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
(Continued)
June 30, 2002

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
(Continued)
June 30, 2002

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
(Continued)
June 30, 2002

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. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. The commitments (purchase order, contracts, and other commitments for the expenditure of funds) are not treated as expenditures until a liability for payment is incurred, but are merely used to facilitate effective budget control and cash planning and management. Encumbrance accounting where a portion of the applicable appropriation is reserved for open purchase orders is not employed by the Town of Greenwood.

G. 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.

H. 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.

I. 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.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
(Continued)
June 30, 2002

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.

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

J. 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.

K. 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.

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Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
(Continued)
June 30, 2002

L. 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.

Reserves

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

M. 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.

N. 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.

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.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
(Continued)
June 30, 2002

P. 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.

Q. 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.

R. 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, 2002:

<u>Fund</u>	<u>Deficit Amount</u>
Enterprise Fund – Sewer	<u>\$ (500,083)</u>

(3) Expenditures – Actual and Budget

The following individual fund had actual expenditures over budgeted expenditures for the year ended June 30, 2002:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Debt Service Fund	\$ 24,000	\$ 25,500	\$ (1,500)

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
(Continued)
June 30, 2002

(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:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
General Fund	8.56	8.56	2021
Debt Service	variable	4.20	2021

(5) Cash and Cash Equivalents

The following is a summary of cash and cash equivalents (book balances) at June 30, 2002:

Petty cash	\$ 1,265
Demand deposits	447,980
Interest-bearing demand deposits	567,919
Money market accounts	130,540
Time deposits	2,877,682
Total	<u>\$ 4,025,386</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, 2002, the Town had \$3,991,567 in deposits (collected bank balances). These deposits are secured from risk by \$500,000 of federal deposit insurance and \$3,491,567 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
(Continued)
June 30, 2002

(6) Fixed Assets

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

	Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
Town Hall	\$ 439,958	\$ -	\$ -	\$ 439,958
Vehicle – Town Hall	44,916	-	-	44,916
Land	75,000	-	-	75,000
Law enforcement equipment	301,589	16,851	-	318,440
Vehicle – police department	18,895	41,558	-	60,453
Furniture and equipment	91,624	18,762	-	110,386
Waterline relocation	50,000	25,491	-	75,491
Water meters – construction in process	-	462,091	-	462,091
Street lights	80,132	-	-	80,132
Museum	27,588	-	-	27,588
Land – Library	9,991	-	-	9,991
Building – Library	89,921	30,052	-	119,973
Library – construction In process	-	112,446	-	112,446
Highland subdivision	-	21,800	-	21,800
Playground – Park	76,636	-	-	76,636
 Total general fixed assets	 <u>\$ 1,306,250</u>	 <u>\$ 729,051</u>	 <u>\$ -</u>	 <u>\$ 2,035,301</u>

A summary of proprietary fund type property, plant and equipment at June 30, 2002 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	 (881,766)	 (2,393,753)	 (3,275,519)
Net	<u>\$ 3,335,123</u>	<u>\$ 847,793</u>	<u>\$ 4,182,916</u>

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
(Continued)
June 30, 2002

(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, 2002, 2001, and 2000 were \$16,602, \$12,915, and \$13,311 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 amount contributed by the Town during the years ended June 30, 2002, 2001, and 2000 was \$5,309, \$7,535, and \$2,551, 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
(Continued)
June 30, 2002

(10) Changes in General Long-Term Obligations

The following is a summary of the long-term obligation transactions for the year ended June 30, 2002:

	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Other Notes</u>	<u>Total</u>
Obligations payable at July 1, 2001	\$ 310,000	\$ 4,131,709	\$ 181,640	\$ 4,623,349
Less principal payments year ended June 30, 2002	(10,000)	(73,346)	-	(83,346)
Obligations payable at June 30, 2002	<u>\$ 300,000</u>	<u>\$ 4,058,363</u>	<u>\$ 181,640</u>	<u>\$ 4,540,003</u>

Obligations payable at June 30, 2002 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. \$ 150,000

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%

150,000

Total General Obligation Bonds

\$ 300,000

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
(Continued)
June 30, 2002

(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. \$ 1,198,000

Water revenue bonds:

\$1,987,000 dated August 11, 1997, due in monthly installments of \$10,849 including interest at 5 7/8% through August 1, 2036. The payments shall be equal in amount and consist of fully amortized installments of principal and interest 1,900,447

Water revenue bonds:

\$1,003,000 dated August 11, 1997, due in monthly installments of \$5,477 including interest at 5 7/8% through August 1, 2036. The payments shall be equal in amount and consist of fully amortized installments of principal and interest 959,916

Total Revenue Bonds

\$ 4,058,363

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
(Continued)
June 30, 2002

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

At June 30, 2002, the Town has accumulated \$264,346 in debt services funds for future debt requirements. The annual requirements to amortize all bonds outstanding at June 30, 2002, including interest of \$171,800 for the General Obligation Bonds and \$4,317,685 for the Revenue Bonds follows:

Year Ending June 30	General Obligation	Revenue	Total
2003	\$ 25,000	\$ 305,603	\$ 330,603
2004	24,500	305,173	329,673
2005	24,000	305,635	329,635
2006	25,500	304,935	330,435
2007	24,900	305,127	330,027
2008 – 2012	124,900	1,525,791	1,650,691
2013 – 2017	123,700	1,528,429	1,652,129
2018 – 2022	99,300	1,196,133	1,295,433
2023 – 2027	–	979,555	979,555
2028 – 2032	–	979,555	979,555
2033 – 2037	–	640,112	640,112
	<u>\$ 471,800</u>	<u>\$ 8,376,048</u>	<u>\$ 8,847,848</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, 2002:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 131,865	\$ 6,623
Debt Service	6,623	–
Enterprise – water	–	112,496
Enterprise – sewer	–	19,369
	<u>\$ 138,488</u>	<u>\$ 138,488</u>

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
(Continued)
June 30, 2002

(12) Changes in Contributed Capital

The following is a summary of changes in contributed capital:

Balance at June 30, 2001	\$ 271,672
Depreciation transferred to contributed capital	<u>(69,450)</u>
Balance at June 30, 2002	<u>\$ 202,222</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, 2002:

	<u>Enterprise Fund</u>
Cash:	
Customer deposits	\$ 95,113
Contingency funds – revenue bonds	76,098
Reserve funds – revenue bonds	67,940
Sinking funds – revenue bonds	<u>104,257</u>
	<u>\$ 343,408</u>

Components of Restricted Assets:

Sinking Funds

The Town of Greenwood is required by Rural Development and other debt covenants to maintain Sinking Funds into which 1/12 of the annual installment for note payments are deposited each month.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Notes to Financial Statements
(Continued)
June 30, 2002

Reserve Funds

The Town of Greenwood is required by Rural Development and other debt covenants to deposit 5% of monthly Sinking Fund payments into a Reserve Fund.

Contingency Fund

The Town of Greenwood is required by Rural Development and other debt covenants to deposit monthly into these funds for a depreciation allowance.

(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 \$300,000 is included in general obligation bonds payable on the accompanying balance sheet.

On August 1, 1997, Water Revenue Bonds issued by The Town totaling \$2,990,000, with a remaining balance of \$2,860,363 at June 30, 2002, were purchased by USDA Rural Development. The balance at June 30, 2002 is included in revenue bonds payable on the accompanying balance sheet.

During the year ended June 30, 2002, The Town received \$29,960 from a federal law enforcement grants.

Supporting Schedules

Town of Greenwood
Greenwood, Louisiana
Combining Balance Sheet
All Proprietary Fund Types
June 30, 2002

	Enterprise		
	Water	Sewer	Total
Assets			
Current assets:			
Cash	\$ 1,236,703	\$ 68,890	\$ 1,305,593
Receivables-			
Accounts	45,678	30,334	76,012
Other	24,887		24,887
Total current assets	<u>1,307,268</u>	<u>99,224</u>	<u>1,406,492</u>
Restricted assets - cash	176,927	166,481	343,408
Property, plant and equipment:			
Land	36,223	142,436	178,659
Plant and equipment	<u>4,180,666</u>	<u>3,099,110</u>	<u>7,279,776</u>
	4,216,889	3,241,546	7,458,435
Less accumulated depreciation	<u>(881,766)</u>	<u>(2,393,753)</u>	<u>(3,275,519)</u>
Net property, plant and equipment	3,335,123	847,793	4,182,916
Other assets	<u>560</u>		<u>560</u>
Total assets	<u>\$ 4,819,878</u>	<u>\$ 1,113,498</u>	<u>\$ 5,933,376</u>

(Continued)

Town of Greenwood
Greenwood, Louisiana
Combining Balance Sheet
All Proprietary Fund Types
June 30, 2002
(Continued)

	Enterprise		
	Water	Sewer	Total
Liabilities and Fund Equity			
Liabilities:			
Current liabilities (payable from current assets) -			
Accounts payable	\$ 17,082	\$ 586	\$ 17,668
Due to other funds	112,497	19,368	131,865
Sales tax payable	1,963		1,963
Payroll taxes payable	583	338	921
Total current liabilities (payable from current assets)	<u>132,125</u>	<u>20,292</u>	<u>152,417</u>
Current liabilities (payable from restricted assets) -			
Revenue bonds	21,312	45,000	66,312
Accrued interest	5,985	26,586	32,571
Customers' deposits	59,790	35,323	95,113
Total current liabilities (payable from restricted assets)	<u>87,087</u>	<u>106,909</u>	<u>193,996</u>
Long-term liabilities -			
Revenue bonds payable	2,839,051	1,153,000	3,992,051
Other notes payable	181,640		181,640
Total liabilities	<u>3,239,903</u>	<u>1,280,201</u>	<u>4,520,104</u>
Fund equity:			
Contributed capital		202,222	202,222
Retained earnings (deficit)			
Reserved for revenue bonds	117,137	131,158	248,295
Unreserved	1,462,838	(500,083)	962,755
Total retained earnings (deficit)	<u>1,579,975</u>	<u>(368,925)</u>	<u>1,211,050</u>
Total fund equity	<u>1,579,975</u>	<u>(166,703)</u>	<u>1,413,272</u>
Total liabilities and fund equity	<u>\$ 4,819,878</u>	<u>\$ 1,113,498</u>	<u>\$ 5,933,376</u>

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, 2002

	Enterprise		
	Water	Sewer	Total
Operating revenues:			
Charges for service-			
Water sales	\$ 598,533	\$	\$ 598,533
Sewerage service charges		282,608	282,608
Other charges and fees	5,859	1,750	7,609
Total operating revenues	<u>604,392</u>	<u>284,358</u>	<u>888,750</u>
Operating expenses:			
Salaries	127,694	63,656	191,350
Payroll taxes	7,079	1,783	8,862
Auto and truck expense	12	12	24
Legal and accounting	3,957	471	4,428
Insurance - general	35,394	22,342	57,736
Testing	787	4,693	5,480
Maintenance and repairs	30,459	26,028	56,487
Miscellaneous expenses	9,258	2,629	11,887
Office expense	20,722	2,474	23,196
Material and supplies	149,867	10,110	159,977
Utilities	13,796	22,547	36,343
Meter reading expense	30,713		30,713
Sales taxes	22,461		22,461
Lift Station Expense		21,893	21,893
Depreciation	157,047	168,706	325,753
Total operating expenses	<u>609,246</u>	<u>347,344</u>	<u>956,590</u>
Operating (loss)	<u>(4,854)</u>	<u>(62,986)</u>	<u>(67,840)</u>
Non-operating revenues (expenses):			
Interest income	64,976	4,370	69,346
Interest expense	(194,873)	(66,336)	(261,209)
Total non-operating (expenses)	<u>(129,897)</u>	<u>(61,966)</u>	<u>(191,863)</u>
Net (loss)	<u>(134,751)</u>	<u>(124,952)</u>	<u>(259,703)</u>
Depreciation transferred to contributions		69,450	69,450
(Decrease) in retained earnings	<u>(134,751)</u>	<u>(55,502)</u>	<u>(190,253)</u>
Retained earnings - July 1, 2001	<u>1,714,726</u>	<u>(313,423)</u>	<u>1,401,303</u>
Retained earnings - June 30, 2002	<u>\$ 1,579,975</u>	<u>\$ (368,925)</u>	<u>\$ 1,211,050</u>

Town of Greenwood
Greenwood, Louisiana
Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended June 30, 2002

	Enterprise		
	Water	Sewer	Total
Cash flows from operating activities:			
Operating net (loss)	\$ (4,854)	\$ (62,986)	\$ (67,840)
Adjustments to reconcile operating income to net cash provided by (used) by operating activities:			
Depreciation	157,047	168,706	325,753
(Increase) decrease in accounts receivable	(8,762)	(11,898)	(20,660)
(Increase) decrease in due from other funds	34,560	11,950	46,510
Increase (decrease) in accounts payable	7,574		7,574
Increase (decrease) in payroll taxes payable	179	(1,152)	(973)
Increase (decrease) in due to other funds	75,024	(35,883)	39,141
Increase (decrease) in customers' deposits	(7,510)	(3,646)	(11,156)
Increase (decrease) in accrued interest payable	(2,393)	(932)	(3,325)
Net cash provided by operating activities	250,865	64,159	315,024
Cash flows from capital and related financing activities:			
Principal paid on revenue bonds and notes payable	(31,346)	(42,000)	(73,346)
Interest paid on revenue bonds and notes payable	(194,873)	(66,336)	(261,209)
Net cash used for capital and related financing activities	(226,219)	(108,336)	(334,555)
Cash flows from investing activities:			
Interest income	64,976	4,370	69,346
Net increase (decrease) in cash and cash equivalents	89,622	(39,807)	49,815
Cash and cash equivalents - July 1, 2001	1,324,008	275,178	1,599,186
Cash and cash equivalents - June 30, 2002	\$ 1,413,630	\$ 235,371	\$ 1,649,001

Town of Greenwood
Greenwood, Louisiana
Schedule of Compensation Paid to Members
of the Governing Body
For the Year Ended June 30, 2002

Mayor - Jerry L. Melot, Salary and Allowance	\$ 32,420
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Aldermen:

Rebecca C. Burks	3,250
Bobby Massey	3,250
Grady Barber	1,500
Ernest H. Lampkins	750
Owen Adams	750
Jimmy Lynn	3,250
Ellise Wissing	3,250

	<u>\$ 48,420</u>
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Town of Greenwood
Greenwood, Louisiana
Schedule of Insurance in Force
As of June 30, 2002

Insurer	Expiration Date	Coverage	
		Description	Amount
St. Paul Fire & Marine Insurance Company	2-23-03	Commercial Package Policy	
		General Liability Coverage	
		Personal Injury Liability	2,000,000 Each Occurrence
		Fire Damage Liability	2,000,000 Each Occurrence
			4,000,000 General Aggregate Limit
		Inland Marine Policy	
		Equipment	581,300
		Commercial Property Policy	
		Personal Property	4,000
		Building	2,013,700
		Public Official Liability	2,000,000 Each Occurrence
			4,000,000 Annual Aggregate
St. Paul Fire & Marine Insurance Company	2-23-03	Business Auto Policy	
		Liability	2,000,000 Per Accident
		Uninsured Motorist	1,000,000 Per Accident
		Physical Damage	
		Comprehensive and Collision	
St. Paul Fire & Marine Insurance Company	2-23-03	Law Enforcement Officers' Liability Policy	2,000,000 Each Occurrence
St. Paul Fire & Marine Insurance Company	2-23-03	Employee Benefit Plan	
		Administration Liability	2,000,000 Each Occurrence
		Protection - Claims - Made	6,000,000 Total Limit
Louisiana Workers' Compensation Corporation		Workers' Compensation	100,000 Each Accident
			500,000 Policy Limit
St. Paul Fire & Marine Insurance Company	2-23-03	Commercial Fire Insurance Policy	
		Building - Main	290,000
		Personal Property - Main	50,000
		Building - Annex	120,000
	2-23-03	Personal Property - Annex	22,000
Western Surety	5-07-03	Surety Bond - Mayor and Town Clerk	250,400
	6-20-03	Surety Bond - Town Clerk	200,000
	3-01-03	Surety Bond - Town Clerk (5) Secretary	40,000
	5-07-03	Surety Bond - Mayor and Town Clerk	23,400
	3-01-03	Surety Bond - Town Clerk	20,000
	12-01-02	Surety Bond - Asst. Clerk	100,000
	2-26-06	Notary Bond - Town (2)	10,000

Town of Greenwood
Greenwood, Louisiana
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2002

<u>Federal Grantor – Program Title</u>	<u>Pass Through Grantor's Number</u>	<u>CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture – Rural Development – Direct Program – Water and Waste Disposal Systems for Rural Communities	N/A	10.760	\$ 3,160,363
U.S. Department of Justice – Office of Community Oriented Policing Services – Direct Programs COPS Universal Hiring	95CFWX1904	16.710	\$ 29,960

Note 1: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

Note 2: The Town had the following loan balances outstanding at June 30, 2002. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

On June 30, 1981, General Obligation Sewer Bonds issued by the Town totaling \$414,000, with a remaining balance of \$300,000 at June 30, 2002, were purchased by the Farmers Home Administration (Rural Development).

On August 1, 1997, Water Revenue Bonds issued by the Town totaling \$2,990,000, with a remaining balance of \$2,860,363 at June 30, 2002, were purchased by the USDA Rural Development.

COOK & MOREHART

Certified Public Accountants

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MEMBER
AMERICAN INSTITUTE
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, 2002, and have issued our report thereon dated December 17, 2002. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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. The reportable condition is described in the accompanying schedule of findings and questioned costs as items 2002-B1.

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, we believe that the reportable condition listed above is not a material weakness. We also noted other matters involving the internal control over financial reporting which we have reported to management of Town of Greenwood in a separate management letter dated December 17, 2002.

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.

A handwritten signature in black ink, appearing to read "Cook & Morehart", with a long, sweeping horizontal line extending from the end of the signature.

Cook & Morehart
Certified Public Accountants
December 17, 2002

COOK & MOREHART

Certified Public Accountants

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CERTIFIED PUBLIC ACCOUNTANTS

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

Town of Greenwood
Greenwood, Louisiana

Compliance

We have audited the compliance of the Town of Greenwood with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The Town of Greenwood's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Greenwood's management. Our responsibility is to express an opinion on the Town of Greenwood's compliance based on our audit.

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

In our opinion, the Town of Greenwood complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

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

compliance in accordance with OMB Circular A-133.

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

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.

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

Cook & Morehart
Certified Public Accountants
December 17, 2002

Town of Greenwood
Greenwood, Louisiana
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2002

2001-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 recommended 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: See repeat finding in current year Schedule of Findings and Questioned Costs, item 2002-B1..

2001-B2 DEBT SERVICE FUND TRANSFERS

Statement of Condition: During the year ended June 30, 2002, the town inadvertently redeemed two debt service fund certificates of deposit totaling \$152,953 and deposited into a general fund account.

Recommendation: We recommended that the Town transfer the \$152,953 from the general fund back into the debt service fund.

Current Status: The Town re-established those accounts back to the debt service fund.

2001-B3 ALLOCATION OF AD VALOREM TAXES

Statement of Condition: During the year ended June 30, 2002, collections for ad valorem taxes that were assessed for debt service purposes were deposited into a general fund account, along with the general fund's ad valorem taxes.

Recommendation: We recommend that upon collection of the ad valorem taxes, the debt service portion of those collections be transferred into a debt service account. We also recommend that the amount due to the debt service fund for past collections be transferred to the debt service fund.

Current Status: The Town is now transferring the debt service portion of the collections on a monthly basis.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2002
(Continued)

2001-C1 Rural Development – Water and Waste Disposal Systems for Rural Communities – CFDA # 10.760

Statement of Condition: The Town inadvertently closed out the bank accounts that represented the reserve accounts required for the Water Revenue Bonds. Those funds were deposited into an account on the general fund of the Town. Also, the monthly required amounts were not transferred to the reserve accounts during the year.

Recommendation: We recommended that the required reserve accounts be reestablished and that the required transfers be made on a monthly basis.

Management Response: The Town did re-establish the Reserve and Contingency accounts in the Water Fund and made monthly transfers to those accounts.

Town of Greenwood
Greenwood, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2002

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the Town of Greenwood.
2. One reportable condition is reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. The condition is not reported as a material weakness.
3. No instances of noncompliance material to the financial statements of the Town of Greenwood were disclosed during the audit.
4. No reportable conditions are reported in the Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program for the Town of Greenwood expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award program for the Town of Greenwood reported in Part C of this schedule.
7. The program tested as a major program was the Farmers Home Administration Water and Waste Disposal Systems for Rural Communities CFDA #10.760.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Town of Greenwood qualifies as a low-risk auditee.

(Continued)

Town of Greenwood
Greenwood, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2002
(Continued)

B. Findings – Financial Statements Audit:

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.

Criteria: Internal controls should be in place to ensure that all bank reconciliations and certificate of deposit notices are reconciled to the general ledgers periodically.

Effect: Numerous adjusting journal entries had to be made during the audit to correct the cash and certificate of deposit balances on the Town's general ledgers.

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.

Management Response: To ensure that bank reconciliations and Certificates of Deposit are reconciled to the General Ledger on a monthly basis, we are hiring an accounting firm.

C. Findings and Questioned Costs – Major Federal Award Programs Audit: NONE.

Town of Greenwood
Greenwood, Louisiana
Summary Schedule of Audit Findings for the Louisiana Legislative Auditor
June 30, 2002

Summary Schedule of Prior Audit Findings

There were four findings for the prior year ended June 30, 2001, as described in the accompanying Summary Schedule of Prior Audit Findings. There were two management letter comments for the year ended June 30, 2001, as follows:

Comment #1: Fixed Asset Records

See related comment in current year management letter for the year ended June 30, 2002.

Comment #2: Accounts Receivable – Water and Sewer Fund

Improvement was noted this year.

Corrective Action Plan for Current Year Audit Findings

Findings related to the financial statements and federal awards programs are identified in the accompanying Schedule of Findings and Questioned Costs.

There was one finding relating to state law, as follows:

State Law Finding #2002-1 – Budgetary Control

Description of Finding

It appears that the notice stating that the proposed budget for the year ended June 30, 2002, is available for public inspection was not published in the official journal of the Town at least 10 days prior to adoption, as required by LA R.S. 39:1306.

Corrective Action Planned: We will work with legal counsel to make sure it is published in paper.

Name of Contact Person: Jerry L. Melot, Mayor

(Continued)

Town of Greenwood
Greenwood, Louisiana
Summary Schedule of Audit Findings for the Louisiana Legislative Auditor
June 30, 2002
(Continued)

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

Comment #1: Fixed Asset Records

We are continuing to pull records together to have them completed.

Comment #2: Monthly Financial Statements

We will give monthly financials to the council on a monthly basis.

Comment #3: Payroll Module

We will get software support people out here to correct the interfacing in our accounting software.

Comment #4: Payroll Tax Reports

We will have an accounting firm do our payroll tax reports.

COOK & MOREHART

Certified Public Accountants

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Management Letter

December 17, 2002

Town of Greenwood
Greenwood, Louisiana

We have audited the financial statements of Town of Greenwood, for the year ended June 30, 2002, and have issued our report thereon dated December 17, 2002. In planning and performing our audit of the financial statements of *Town of Greenwood*, we considered its 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.

During our audit the following item was noted involving internal control over financial reporting and other operational matters which appear to merit your attention for consideration to improve the internal control over financial reporting or operations of Town of Greenwood.

Comment #1: Fixed Asset Records

During our audit we noted that the Town had started updating its fixed asset records.

We recommend that the Town continued to update its fixed asset records in accordance with LSA-RS 24:515.

Comment #2: Monthly Financial Statements

During our audit, we noted that budgetary financial statements were not presented to the council on a routine basis during the year.

We recommend that the Town present monthly financial statements with budgetary comparisons to the council on a routine basis.

Comment #3: Payroll Module

During our audit, we noted that the payroll module was not interfacing to the Town's general ledger correctly and was not posting to the correct expense accounts. Significant additional audit time was required to correct the postings.

We recommend that the payroll module be corrected to properly interface to the Town's general ledger.

Comment #4: Payroll Tax Reports

During our audit, we noted that the federal and state payroll tax reports were not always filed in a timely manner.

We recommend that procedures be put in place to ensure that payroll tax reports are filed in a timely manner.

We express sincere thanks to the Town of Greenwood personnel for the cooperation and assistance provided us during our audit. We are available to provide you assistance and consultation in the implementation of the above mentioned items. This letter is furnished solely for the use of management and is not intended to be used for any other purpose.

A handwritten signature in cursive script, reading "Cook & Morehart", with a long, sweeping horizontal line extending to the right.

Cook & Morehart
Certified Public Accountants