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CITY OF WINNFIELD, LOUISIANA**ANNUAL FINANCIAL REPORT****JUNE 30, 2003**

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

Release Date 1-28-04

CITY OF WINNFIELD, LOUISIANA
ANNUAL FINANCIAL REPORT
JUNE 30, 2003

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WHITE & BATES

CERTIFIED PUBLIC ACCOUNTANTS

203 NORTH ABEL STREET

P. O. BOX 1397

WINNFIELD, LA 71483

(318) 628-3985

FAX (318) 628-3988

LAWRENCE I. WHITE, C.P.A.

STEVEN F. BATES, C.P.A.

INDEPENDENT AUDITOR'S REPORT

To the Honorable Deano Thornton, Mayor
and the City Council of Winnfield, Louisiana

We have audited the accompanying general purpose financial statements of the City of Winnfield, Louisiana, as of and for the year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the management of the City of Winnfield, Louisiana. 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 City of Winnfield, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund 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 11, 2003 on our consideration of the City of Winnfield'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 individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Winnfield, Louisiana. 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 cursive script, appearing to read "White & Bates".

White & Bates, CPA's
December 11, 2003
Winnfield, Louisiana

**GENERAL PURPOSE FINANCIAL STATEMENTS
(COMBINED STATEMENTS - OVERVIEW)**

CITY OF WINNFELD, LOUISIANA
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2003

ASSETS	GOVERNMENTAL FUND TYPES		
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>
Cash & Cash Equivalents	\$ 355,326	\$ 696,345	
Time Deposits	350,866		
Receivables			
Utility Billings (Less Allowance of \$111,712)			
Due From Other Governments:			
State of Louisiana	30,843		
Winn Parish Police Jury	15,589		
Winn Parish School Board		75,454	
Due From Other Funds	47,726	83,059	
Economic Development Notes	48,898		
Other	14,747		
Prepaid Insurance	1,529		
Inventory, At Cost			
Restricted Assets:			
Cash & Cash Equivalents			
Investments, At Cost			
General Fixed Assets			
Utility Property, Plant & Equipment, At Cost			
Accumulated Depreciation			
Refundable Deposits			
Amount to be Provided for Retirement of General Long-Term Debt			
TOTAL ASSETS	<u>\$ 865,524</u>	<u>\$ 854,858</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

(Continued)

EXHIBIT A

PROPRIETARY FUND TYPES	ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY)
	GENERAL FIXED ASSETS	LONG -TERM DEBT	
ENTERPRISE			
\$ 534,951			\$ 1,586,622
12,995			363,861
1,155,909			1,155,909
			30,843
			15,589
			75,454
			130,785
			48,898
53,988			68,735
			1,529
151,303			151,303
95,573			95,573
242,000			242,000
	\$ 5,791,219		5,791,219
17,253,430			17,253,430
(8,776,093)			(8,776,093)
4,800			4,800
		\$ 117,614	117,614
<u>\$ 10,728,856</u>	<u>\$ 5,791,219</u>	<u>\$ 117,614</u>	<u>\$ 18,358,071</u>

CITY OF WINNFELD, LOUISIANA
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
JUNE 30, 2003

LIABILITIES AND FUND EQUITY	GENERAL	GOVERNMENTAL FUND TYPES	
		SPECIAL REVENUE	CAPITAL PROJECTS
Liabilities:			
Accounts Payable	\$ 144,316	\$ 76,923	
Accrued Salaries & Related Benefits	79,873		
Due to Other Funds	29,787	4,910	
Sales Taxes Payable			
Payable from Restricted Assets - Customer Deposits			
Notes Payable			
Accumulated Compensated Absences			
Total Liabilities	<u>253,976</u>	<u>81,833</u>	<u>-</u>
Fund Equity:			
Contributed Capital			
Investment in General Fixed Assets			
Retained Earnings:			
Reserved for Emergencies - Cash & Time Deposits			
Unreserved			
Fund Balance:			
Reserved For Capital Improvements:			
Fire Department - Cash Equivalents	366,455		
Reserved for Protested Taxes & Licenses - Cash	1,220		
Reserved for Economic Development - Notes	48,898		
Reserved for Police, Fire, & Other - Cash	57,661		
Reserved for Prepaid Insurance	1,529		
Reserved for Streets, Drainage, & Sidewalks		304,395	
Reserved for Sewer Improvements		212,937	
Reserved for Water Works		57,228	
Reserved for Sanitation & Landfill		191,718	
Reserved for Motor Pool		6,747	
Unreserved - Undesignated	<u>135,785</u>		
Total Fund Equity	<u>611,548</u>	<u>773,025</u>	<u>-</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 865,524</u>	<u>\$ 854,858</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

(Concluded)

EXHIBIT A

PROPRIETARY FUND TYPES	ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY)
	GENERAL FIXED ASSETS	LONG - TERM DEBT	
<u>ENTERPRISE</u>			
\$ 845,765			\$ 1,067,004
62,483			142,356
96,088			130,785
17,700			17,700
300,249			300,249
591,666			591,666
		\$ 117,614	117,614
<u>1,913,951</u>	<u>-</u>	<u>117,614</u>	<u>2,367,374</u>
8,270,835			8,270,835
	\$ 5,791,219		5,791,219
389,018			389,018
155,052			155,052
			366,455
			1,220
			48,898
			57,661
			1,529
			304,395
			212,937
			57,228
			191,718
			6,747
			135,785
<u>8,814,905</u>	<u>5,791,219</u>	<u>-</u>	<u>15,990,697</u>
<u>\$ 10,728,856</u>	<u>\$ 5,791,219</u>	<u>\$ 117,614</u>	<u>\$18,358,071</u>

EXHIBIT B

CITY OF WINNFELD, LOUISIANA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 YEAR ENDED JUNE 30, 2003

				TOTALS (MEMORANDUM ONLY)
REVENUES:	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>	
Taxes	\$ 180,278	\$ 987,237		\$ 1,167,515
Licenses & Permits	192,107			192,107
Intergovernmental Revenues	903,103		\$ 60,280	963,383
Charges for Services	347,238			347,238
Fines	10,669			10,669
Interest	21,084	6,703		27,787
Miscellaneous	<u>42,526</u>	<u> </u>	<u> </u>	<u>42,526</u>
Total Revenues	<u>1,697,005</u>	<u>993,940</u>	<u>60,280</u>	<u>2,751,225</u>
EXPENDITURES:				
Current:				
General Government	667,847			667,847
Public Safety:				
Police	923,222			923,222
Fire	306,812			306,812
Animal Shelter	38,780			38,780
Collection & Administration		49,414	12,425	61,839
Streets, Drainage & Sidewalks	299,346	387,918		687,264
Motor Pool	29,880			29,880
Sanitation & Sanitary Landfill	276,633	149,519		426,152
Recreation	228,873			228,873
Sewer		202,881		202,881
Water		201,803		201,803
Capital Outlay	1,161,764	149,256	60,280	1,371,300
Debt Service:				
Principal	6,983			6,983
Interest	<u>80</u>	<u> </u>	<u> </u>	<u>80</u>
Total Expenditures	<u>3,940,220</u>	<u>1,140,791</u>	<u>72,705</u>	<u>5,153,716</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,243,215)</u>	<u>(146,851)</u>	<u>(12,425)</u>	<u>(2,402,491)</u>

(Continued)

EXHIBIT B

CITY OF WINNFELD, LOUISIANA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES (CONTINUED)
 YEAR ENDED JUNE 30, 2003

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	1,831,896	20,000	12,425	1,864,321
Operating Transfers Out	(20,000)	(12,425)		(32,425)
Sales of Property	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,811,896</u>	<u>7,575</u>	<u>12,425</u>	<u>1,831,896</u>
EXCESS (DEFICIENCY) OF REVENUES & OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES & OTHER FINANCING USES	(431,319)	(139,276)	-	(570,595)
FUND BALANCE - Beginning of Year	<u>1,042,867</u>	<u>912,301</u>	<u>-</u>	<u>1,955,168</u>
FUND BALANCE - End of Year	<u>\$ 611,548</u>	<u>\$ 773,025</u>	<u>-</u>	<u>\$ 1,384,573</u>

The notes to the financial statements are an integral part of this statement.

(Concluded)

CITY OF WINNFELD, LOUISIANA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET (GAAP BASIS) AND ACTUAL - ALL GOVERNMENTAL FUND TYPES
 YEAR ENDED JUNE 30, 2003

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
Taxes	\$ 176,800	\$ 180,278	\$ 3,478
Licenses and Permits	182,510	192,107	9,597
Intergovernmental Revenues	993,180	903,103	(90,077)
Charges for Services	339,000	347,238	8,238
Fines	8,000	10,669	2,669
Interest	23,500	21,084	(2,416)
Miscellaneous	<u>69,050</u>	<u>42,526</u>	<u>(26,524)</u>
Total Revenues	<u>1,792,040</u>	<u>1,697,005</u>	<u>(95,035)</u>
EXPENDITURES:			
Current:			
General Government	702,140	667,847	34,293
Public Safety:			
Police	948,200	923,222	24,978
Fire	307,500	306,812	688
Animal Shelter	39,200	38,780	420
Collection and Administration			
Streets and Highways	315,300	299,346	15,954
Motor Pool	29,900	29,880	20
Sanitation	301,950	276,633	25,317
Recreation	231,600	228,873	2,727
Sewer			
Water			
Capital Outlay	1,120,500	1,161,764	(41,264)
Debt Service	<u>7,100</u>	<u>7,063</u>	<u>37</u>
Total Expenditures	<u>4,003,390</u>	<u>3,940,220</u>	<u>63,170</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,211,350)</u>	<u>(2,243,215)</u>	<u>(31,865)</u>
OTHER FINANCING SOURCES (USES):			
Operating Transfers In	1,800,000	1,831,896	31,896
Operating Transfers Out	-	(20,000)	(20,000)
Sales of Property	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,800,000</u>	<u>1,811,896</u>	<u>11,896</u>
EXCESS (DEFICIENCY) OF REVENUES & OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES & OTHER FINANCING USES	<u>(411,350)</u>	<u>(431,319)</u>	<u>(19,969)</u>
FUND BALANCE - Beginning of Year	<u>1,042,867</u>	<u>1,042,867</u>	<u>-</u>
FUND BALANCE - End of Year	<u>\$ 631,517</u>	<u>\$ 611,548</u>	<u>\$ (19,969)</u>

The notes to the financial statements are an integral part of this statement.

<u>SPECIAL REVENUE FUND</u>		
<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
\$ 950,000	\$ 971,463	\$ 21,463
15,000	15,774	774
7,000	6,703	(297)
<u>972,000</u>	<u>993,940</u>	<u>21,940</u>
47,400	49,414	(2,014)
415,000	387,918	27,082
135,000	149,519	(14,519)
215,000	202,881	12,119
200,000	201,803	(1,803)
132,000	149,256	(17,256)
<u>1,144,400</u>	<u>1,140,791</u>	<u>3,609</u>
<u>(172,400)</u>	<u>(146,851)</u>	<u>25,549</u>
-	20,000	20,000
-	(12,425)	(12,425)
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>7,575</u>	<u>7,575</u>
(172,400)	(139,276)	33,124
<u>912,301</u>	<u>912,301</u>	<u>-</u>
<u>\$ 739,901</u>	<u>\$ 773,025</u>	<u>\$ 33,124</u>

CITY OF WINNFELD, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
ENTERPRISE FUND
YEAR ENDED JUNE 30, 2003

OPERATING REVENUES:	
Charges for Services	<u>\$6,853,390</u>
OPERATING EXPENSES:	
Power Purchased	3,824,631
Salaries and Related Costs	628,385
Depreciation	426,191
Property Repairs and Maintenance	177,966
Materials and Supplies	96,085
Utilities and Telephone	55,245
Insurance	100,255
Other Miscellaneous Expenses	<u>60,201</u>
Total Operating Expenses	<u>5,368,959</u>
Operating Income	<u>1,484,431</u>
NONOPERATING REVENUES (EXPENSES):	
Interest Income	29,350
Other Nonoperating Income	24,209
Interest Expense	<u>(38,591)</u>
Total Nonoperating Revenues (Expenses)	<u>14,968</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS:	1,499,399
Operating Transfers Out	<u>(1,831,896)</u>
NET INCOME (LOSS)	(332,497)
DECREASE (INCREASE) IN RETAINED EARNINGS RESERVED FOR EMERGENCIES	<u>9,995</u>
NET CHANGE IN UNRESERVED RETAINED EARNINGS	(322,502)
RETAINED EARNINGS - UNRESERVED - Beginning	<u>477,554</u>
RETAINED EARNINGS - UNRESERVED - Ending	<u>\$ 155,052</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WINNFELD, LOUISIANA
 STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
 ENTERPRISE FUND
 YEAR ENDED JUNE 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating Income for Year	\$ 1,484,431
Adjustment to Reconcile Net Income to	
Net Cash Provided by Operating Activities-	
Depreciation	426,191
Nonoperating Income	24,209
Changes in Assets & Liabilities-	
(Increase) Decrease in Accounts Receivable	(216,248)
(Increase) Decrease in Inventory	(10,943)
(Increase) Decrease in Other Receivables	(208)
Increase (Decrease) in Accounts Payable	196,235
Increase (Decrease) in Accrued Expenses	(2,066)
Increase (Decrease) in Customer's Deposits - Net of Refunds	(1,010)
Increase (Decrease) in Due to Other Funds	<u>47,346</u>
Net Cash Provided by Operating Activities	<u>1,947,937</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

Net Transfers to Other Funds	(<u>1,831,896</u>)
Net Cash Used by Non-capital Financing Activities	(<u>1,831,896</u>)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Interest Paid on Installment Note Payable	(38,591)
Acquisition & Construction of Capital Assets	(234,187)
Principal Paid on Installment Note Payable	(106,321)
Borrowings	-
Contributed Capital	<u>112,125</u>
Net Cash Used for Capital and Related Financing Activities	(<u>266,974</u>)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest Income	29,350
Investment Security Maturity	144,000
Purchase of Investment Securities	(<u>146,000</u>)
Net Cash Used For Investing Activities	<u>27,350</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (123,583)

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 754,107

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 630,524

The notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

CITY OF WINNFELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

INTRODUCTION

The City of Winnfield, Louisiana, was incorporated under the Lawrason Act in June of 1902 and operates under an elected Mayor - Board of Aldermen form of government. The City's major operations include public safety, fire protection, ambulance, streets, sanitation, recreation and parks, utilities, and general administrative services.

1. Summary of Significant Accounting Policies-

Basis of Presentation -

The financial statements of the City of Winnfield, Louisiana, have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the City's Financial Report.

Financial Reporting Entity -

As the municipal governing authority, for reporting purposes, the City of Winnfield is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (municipality), (b) organizations for which the primary government is financially accountable, 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.

Component Units -

Governmental Accounting Standards Board Statement No. 14 established criteria for determining component units which should be considered part of a primary government 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 primary government to impose its will on that organization and/or
 - (b) The potential for the organization to provide specific financial benefits or to impose specific financial burdens on the primary government.
2. Organizations for which the primary government does not appoint a voting majority but are fiscally dependent on the primary government.

(Continued)

CITY OF WINNFIELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003

3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the application of these criteria, the financial statements of the City of Winnfield, Louisiana, consist only of the funds and account groups of the City, since the City has no oversight responsibility for any other governmental entity.

The City of Winnfield's financial statements do not include the Winnfield City Court, the Winnfield City Marshall, or the Winnfield Housing Authority. A description of these entities and the reasons for their exclusion from the reporting entity are summarized below:

Winnfield City Court -

The Winnfield City Court was created under the authority of Chapter 7 of Title 13 of the Louisiana Revised Statutes. The City Court's criminal jurisdiction is limited to the trial of offenses committed within its respective territorial jurisdiction that are not punishable by imprisonment at hard labor, including the trial of cases involving the violation of any city or parochial ordinances. The following factors suggest that the City Court should not be included in the reporting entity:

The city judge is elected by the general public for a six year term.

The city judge receives an annual salary payable monthly by the City and the Parish, based upon the population of the territorial jurisdiction of the court.

The city judge is solely responsible for the day-to-day operations of the court.

Based on these factors, it has been concluded that the City of Winnfield, Louisiana, has no oversight responsibility for the City Court, and therefore, the financial statements of the Court are excluded from the reporting entity.

Winnfield City Marshall -

The Winnfield City Marshall was created under the authority of Chapter 7 of Title 13 of the Louisiana Revised Statutes. The marshall is the executive officer of the court and executes the orders and mandates of the city court. The marshall makes arrests, preserves the peace, and has the same authority, within his territorial jurisdiction, as a sheriff. The following factors suggest that the Winnfield City Marshall should not be included in the reporting entity:

The city marshall is elected by the general public for a six year term.

The city marshall is responsible for the day-to-day operation of his office.

(Continued)

CITY OF WINNFIELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003

Based on these factors, it has been concluded that the City of Winnfield, Louisiana, has no oversight responsibility for the Winnfield City Marshall and, therefore, the financial statements of the Marshall are excluded from the reporting entity.

Winnfield Housing Authority -

The governing authority of the City of Winnfield is responsible for appointing the members of the board of the Winnfield Housing Authority; however, the City's accountability for the Winnfield Housing Authority does not extend beyond making the appointments. The following factors suggest that the Winnfield Housing Authority should not be included in the reporting entity:

The board of commissioners of the Winnfield Housing Authority is responsible for the day-to-day operation of the Authority.

The Winnfield Housing Authority is responsible for preparing its own budget, funding deficits and operating deficiencies, disposing surplus funds, controlling the collection and disbursement of funds, and maintaining title to assets.

Based on these factors, it has been concluded that the City of Winnfield, Louisiana, has no oversight responsibility for the Winnfield Housing Authority, and therefore, the financial statements of the Authority are excluded from the reporting entity.

These units of government, described above, are considered separate reporting entities and issue financial statements separate from those of the City of Winnfield, Louisiana.

Fund Accounting -

The accounts of the City of Winnfield are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The individual funds account for the government resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

Governmental Fund Types -

These are the funds through which most governmental functions are typically financed. The funds included in this category are as follows:

(Continued)

CITY OF WINNFIELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003

General Fund

The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. General tax revenues and other sources of revenue used to finance the fundamental operations of the City are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

Special Revenue Fund

Special revenue funds are used to account for the proceeds of specific revenue sources other than special assessments, expendable trusts, or major capital projects that are legally restricted to expenditures for specific purposes. The City's special revenue fund consists of a sales tax fund.

Capital Projects Fund

Capital project funds are established to account for major capital expenditures not financed by enterprise funds, internal service funds or trust funds.

Proprietary Fund Types -

Proprietary funds account for activities similar to those found in the private sector, where the determination of net income is necessary or beneficial 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.

The proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity is included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The fund included in this category is the Enterprise Fund.

Enterprise Fund

The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided

(Continued)

CITY OF WINNFIELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003

the periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City's Enterprise Fund is comprised of its Utility Department's electrical, water and sewer systems.

Account Groups -

An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net expendable available financial resources.

General Fixed Assets Account Group

This is not a fund but rather an account group that is used to account for general fixed assets acquired principally for general purposes and excludes fixed assets in the Enterprise Fund.

General Long-Term Debt Account Group

This is not a fund but rather an account group that is used to account for the outstanding principal balances of general obligation bonds and other long-term debt not reported in the proprietary funds.

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by the fund's measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds, and are recorded as expenditures in the governmental fund types when purchased. Public domain ("infrastructure") general fixed assets consisting of certain improvements, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized. No depreciation has been provided on general fixed assets. All fixed assets are valued at cost.

Property, plant, and equipment acquired for proprietary funds is capitalized in the respective funds to which it applies.

(Continued)

CITY OF WINNFIELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003

Depreciation of all exhaustible fixed assets used by the enterprise fund is charged as an expense against its operations. All fixed assets of the enterprise fund are shown at historical cost.

Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

	<u>LIFE IN YEARS</u>
Electrical Department:	
Trucks, cabs	3-8
Equipment	3-10
Electrical machinery and switchboard	40
Switching station and sub-station	10-20
Power plant building	50
Water Department:	
Water wells	25
Reservoir, tanks, and chlorinator	25
Pumps, machinery, and equipment	3-20
Trucks and tractor	4-10
Water works property	40
Sewer Department:	
Sewer property and treatment plant	40
Machinery and equipment	3-10
Trucks and tractor	4-10

Long-term liabilities expected to be financed from governmental fund types are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

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

(Continued)

CITY OF WINNFELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003

accrual basis of accounting is used by all governmental funds. Ad valorem taxes are recorded as revenue when levied because they are considered to be both measurable and available even though a portion of the taxes are collected in subsequent years. Sales taxes are considered "measurable" when collected by the intermediary collecting agency and are recognized as revenue at that time.

Those revenues susceptible to accrual are ad valorem taxes, franchise taxes, sales taxes, interest revenue, intergovernmental revenues, and charges for services. Fines, permits, penalties and interest, and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash. Anticipated refunds of taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred except that principal and interest on general long-term debt is recognized when due. Purchase of various operating supplies are regarded as expenditures at the time purchased.

All proprietary funds are accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The proprietary funds use the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sales of fixed assets, debt extinguishments, long-term debt proceeds, et cetera) are accounted for as other financing sources or uses. These other financing sources or uses are recognized at the time the underlying events occur.

Budgets and Budgetary Accounting -

Formal budgetary accounting is employed as a management control. Annual operating budgets are adopted each fiscal year and amended as required.

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

1. The City Clerk prepares a proposed budget, based on departmental group budget requests, and submits the 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)

CITY OF WINNFIELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003

3. A public hearing is held on the proposed budget at least ten days 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 appropriation ordinance or adoption resolution 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.

The City's procedures, with respect to its budget, are designed to meet the requirements of applicable Louisiana Revised Statutes. The City prepares budgets for its General Fund and Special Revenue Fund on a basis consistent with generally accepted accounting principles. The budget amounts shown in the financial statements represent the original adopted budget as amended by the Board of Alderman.

Encumbrances -

Encumbrance accounting is not employed by the City of Winnfield, Louisiana.

Cash and Cash Equivalents -

Consistent with GASB Statement 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting", the City of Winnfield defines cash and cash equivalents as follows:

Cash - includes not only currency on hand but also demand deposits with banks or other financial institutions and other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty.

Cash equivalents - all short term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of interest rates. Generally, only investments which, at the day of purchase, have a maturity date no longer than three months qualify. The amount shown as "Time Deposits" on the balance sheet represents certificates of deposit with maturities in excess of three months from date of purchase.

(Continued)

CITY OF WINNFELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003

Receivables -

All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the enterprise fund are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

Bad Debts -

Uncollectible amounts due for ad valorem taxes and customers' utility receivables 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.

Other Financing Sources (Uses) -

Transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

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" and are recorded by all funds affected in the period in which transactions are executed.

Interest Receivable -

Interest on investments and certain receivables are recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

Inventories -

Inventory of the enterprise fund, which consists primarily of utility department supplies, is valued at the lower of cost (first-in, first-out) or market and is expensed as consumed. Immaterial amounts of inventory are maintained for general fund operations and are regarded as expenditures at the time purchased.

Vacation, Sick Leave, and Other Compensated Absences -

City employees are entitled to certain compensated absences based on their length of employment. Vacation earned is based on the number of years of service as follows:

(Continued)

CITY OF WINNFIELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003

<u>Full Time Employment</u>	<u>Working Hours Earned Per Year</u>
After one year	40
After two years	80
After ten years	120
After fifteen years	160
After twenty years	200

Vacation time is not cumulative and must be taken in no less than seven (7) consecutive day increments. Vacation earned is recorded as an expenditure of the governmental fund that it relates to when it is paid. Vacation leave of the enterprise fund is recorded as an expense and liability of that fund as the benefits accrue to employees.

Sick leave is accrued on the basis of one day of leave for each month of continuous employment. Unused sick leave is cumulative. All sick leave is forfeited upon termination of employment with the city unless an employee retires with at least twenty (20) years of continuous service. In this case, the employee will be considered on leave of absence with pay for all of their accumulated and unused sick leave prior to their retirement date.

Compensatory time is granted by the department head and may be accumulated to a maximum of four hundred and eighty (480) hours.

The cost of current leave privileges, computed in accordance with GASB Codification C 60, is recognized as a current year expenditure in the governmental funds when leave is actually taken. The cost of leave privileges not requiring current resources is recorded in the General Long-Term Debt Account Group. Compensated absences associated with employees of the Enterprise Fund are recorded as a fund liability and operating expense.

Prepaid Items -

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items.

Fund Equity -

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distribution. Reserved retained earnings for proprietary funds represent the net assets that have been legally identified for specific purposes.

(Continued)

CITY OF WINNFIELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003

Contributed capital is recorded in the Enterprise Fund for capital grants restricted for the acquisition or construction of capital assets. Contributed capital is not amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources.

Designated fund balances represent tentative plans for future use of financial resources.

Restricted Assets -

Certain resources of the enterprise fund are classified as restricted assets on the balance sheet because their use is limited to providing refunds to customers for their refundable deposits.

Interfund Transactions -

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Sales Taxes -

The City of Winnfield receives proceeds from a one and one-half percent (1 ½%) sales and use tax. An ordinance adopted on July 20, 1993, by the Board of Aldermen, which was approved in a special election on July 17, 1993, provides that the proceeds of the sales and use tax, after costs of administering the fund, be dedicated for the following purposes:

Streets, Drainage and Sidewalks	33%
Sewer Improvements	30%
Water Works	25%
Sanitary Landfill and Sanitation	10%
Motor Pool	2%

Total Columns on Combined Statements - Overview -

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

(Continued)

CITY OF WINNFELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003

Use of Estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions. Those estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. They may also affect the reported amounts of revenues and expenses of proprietary funds during the reporting period.

2. Ad Valorem Taxes

The City of Winnfield levies taxes on real and business personal property located within its boundaries. The Winn Parish Tax Assessor assesses the property values and prepares the City's property tax roll. The City bills and collects its own property taxes.

Ad valorem taxes are levied no later than June 1, and are due by December 31. The ad valorem taxes attach as an enforceable lien on property as of January 1, of each year. All ad valorem tax revenues are recognized in compliance with NCGA Interpretation - 3 and GASB Codification Section P70 (Revenue Recognition - Property Taxes) which states that such revenue is recorded when it becomes measurable and available. Available means due, or past due and receivable within the current period, and collected no longer than 60 days after the close of the current period.

For the year ended June 30, 2003, taxes of 6.88 mills were levied for general corporate purposes against property with assessed valuations totaling \$16,234,760. Total taxes levied were \$111,695. Subsequent change orders adjusted the original levy to \$111,430.

Total taxes collected during the year ended June 30, 2003 were \$111,402. Delinquent taxes are collected by the sale of the related property; therefore, no allowance for uncollectible taxes is considered necessary.

3. Interfund Receivables and Payables

As of June 30, 2003, interfund receivables and payables that resulted from various transactions between individual funds were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General fund	\$ 47,726	\$ 29,787
Sales Tax Fund	83,059	4,910
Enterprise fund	<u>-</u>	<u>96,088</u>
Totals	<u>\$ 130,785</u>	<u>\$ 130,785</u>

(Continued)

CITY OF WINNFIELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003

4. Restricted Assets - Proprietary Fund Type

Restricted assets of the Enterprise Fund were comprised of the following at June 30, 2003:

Customer's Deposit Account	<u>\$ 337,573</u>
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5. Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance</u> <u>7-1-02</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6-30-03</u>
Land	\$ 795,801			\$ 795,801
Buildings	1,651,490	\$1,114,847		2,766,337
Equipment	<u>2,004,554</u>	<u>229,455</u>	<u>\$ 4,928</u>	<u>2,229,081</u>
 Totals	 <u>\$4,451,845</u>	 <u>\$1,344,302</u>	 <u>\$ 4,928</u>	 <u>\$ 5,791,219</u>

6. Enterprise Fund Property, Plant and Equipment

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

Land	\$ 5,000
Buildings	86,371
Construction In Progress	60,280
Electrical Substation	1,219,021
Electrical Machinery	2,603,960
Sewer Treatment Plant	2,824,210
Sewer System	2,832,736
Water System	6,552,786
Trucks, Machinery & Equipment	1,069,066
Less: Accumulated Depreciation	(8,776,093)
 Total	 <u>\$ 8,477,337</u>

7. Long-Term Debt

General Long-Term Debt

Installment Note Payable - Proceeds from this loan were used to purchase three police cars. This loan was paid from general fund revenues. This note bears interest at 5.3% and is payable in 36 monthly installments of \$1,765. This loan paid off during the year ended June 30, 2003.

(Continued)

CITY OF WINNFELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003

Compensated Absences - At June 30, 2003, employees of the City of Winnfield, Louisiana have accumulated and vested \$147,289 of employee leave benefits, which were computed in accordance with GASB Codification C60. \$117,614 is recorded within the General Long-Term Debt Account Group and \$29,675 is recorded as a liability within the enterprise fund.

The following is a summary of changes in general long-term debt for the year ended June 30, 2003:

	Balance 7-1-02	Additions	Reductions	Balance 6-30-03
Installment Note Payable	\$ 6,983	\$ -	\$ 6,983	\$ -
Compensated Absences	<u>98,269</u>	<u>19,345</u>	<u>-</u>	<u>117,614</u>
Total	<u>\$105,252</u>	<u>\$ 19,345</u>	<u>\$ 6,983</u>	<u>\$117,614</u>

Enterprise Fund Long-Term Debt

Installment Notes Payable - This item is comprised of three loans. Proceeds from the first loan were used to purchase water clarification equipment. This loan is being paid from enterprise fund revenues. This note bears interest at 5.75% and is payable in 120 monthly installments of \$7,663. Proceeds from the second loan were used to purchase a bucket truck. This loan is also being paid from the enterprise fund revenues. This note bears interest at 8% and is payable in 48 monthly installments of \$2,588. Proceeds from the third loan were used to purchase a vacuum truck. This loan is also being repaid from the enterprise fund revenues. This note bears interest at 6.03% and is payable in 48 monthly installments of \$1,810.

The annual debt service requirements to maturity of all installment notes payable at June 30, 2003, including interest payments of \$115,381 are as follows:

Year Ending June 30	General Long-Term Debt	Enterprise Fund	Total
2004	\$ -	\$129,293	\$129,293
2005	-	111,673	111,673
2006	-	93,769	93,769
2007	-	91,959	91,959
2008	-	91,959	91,959
2009 and After	-	<u>188,394</u>	<u>188,394</u>
Totals	<u>\$ -</u>	<u>\$707,047</u>	<u>\$707,047</u>

8. Dedication of Proceeds and Flow of Funds

Under the provisions of an ordinance adopted July 20, 1993, the proceeds of the 1 1/2% sales and use tax, after provision for the cost of administration, are dedicated for the following specific purposes:

(Continued)

CITY OF WINNFIELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003

	<u>Percentages</u>	Collections Year Ended <u>June 30, 2003</u>
Streets, Drainage and Sidewalks	33%	\$ 304,482
Sewer Improvements	30%	276,802
Water Works	25%	230,668
Sanitary Landfill and Sanitation	10%	92,267
Motor Pool	<u>2%</u>	<u>18,453</u>
Totals	<u>100%</u>	<u>\$ 922,672</u>

9. Employment Retirement Systems

Substantially all employees of the City of Winnfield are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana, Municipal Police Employees Retirement System of Louisiana, Firefighters Retirement System of Louisiana, or Louisiana State Employees' Retirement System. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

A. Municipal Employees Retirement System of Louisiana (System)

Plan Description. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan A.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent 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 above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System 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 Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (504) 925-4810.

(Continued)

CITY OF WINNFELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003

Funding Policy. Under Plan A, members are required by state statute to contribute 9.25 percent of their annual covered salary and the City of Winnfield is required to contribute at an actuarially determined rate. The current rate is 8.0 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the City of Winnfield 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 City of Winnfield's contributions to the System under Plan A for the years ending June 30, 2003, 2002, and 2001 were \$73,899, \$68,224, and \$61,864, respectively, and were equal to the required contributions for each year.

B. Municipal Police Employees Retirement System of Louisiana (System)

Plan Description. 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 percent 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 or amended 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 (504) 929-7411.

Funding Policy. Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the City of Winnfield 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 City of Winnfield are established and may be amended by state statute. As provided by Louisiana Revised Statute II: 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 City of Winnfield's contributions to the System for the years ending June 30, 2003, 2002 and 2001 were \$34,825, \$34,189, and \$34,923, respectively, and were equal to the required contributions for each year.

(Continued)

CITY OF WINNFELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003

C. Firefighters Retirement System of Louisiana

Plan Description. Membership in the Louisiana Firefighters Retirement System is mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance before January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 percent of their final average salary for each year of creditable service, not to exceed 100 percent of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System 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 Firefighters Retirement System, Post Office Box 95095, Baton Rouge, Louisiana 70804, or by calling (504) 925-4060.

Funding Policy. Plan members are required by state statute to contribute 8.0 percent of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 18.25 percent of annual covered payroll. The contribution requirements of plan members and the City of Winnfield 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 City of Winnfield's contributions to the System for the years ending June 30, 2003, 2002, and 2001 were \$17,653, \$10,343, and \$10,235 respectively, and were equal to the required contributions for each year.

D. Louisiana State Employee's Retirement System

Plan Description. The City Judge is the only employee of the City of Winnfield, Louisiana who participates in this system. The City Judge will be eligible for normal retirement when one of the following criteria is satisfied:

1. Any age with at least eighteen (18) years of creditable service as a judge or court officer.
2. Age fifty (50) upon attaining a total of twenty (20) years of creditable service, at least twelve (12) years of which were as a judge or court officer.

(Continued)

CITY OF WINNFELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003

3. Age fifty-five (55) upon attaining a total of at least twelve (12) years of creditable service as a judge of court officer.
4. Age seventy (70) without regard to the number of years of creditable service as a judge or court officer.

Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to 2 ½ percent of their final average salary for each year of creditable service plus three hundred dollars. In addition, each judicial officer shall receive an additional benefit equal to one percent times the number of years of service as a judge or court officer times his average compensation. The System also provides death and disability benefits. Benefits are established or amended 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 Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or by calling (800) 256-3000.

Funding Policy. Plan members are required by state statute to contribute 11.5 percent of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 14.1 percent of annual covered payroll. The contribution requirements of plan members and the City of Winnfield 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 City of Winnfield's contributions to the System for the years ending June 30, 2003, 2002, and 2001 were \$338, \$312, and \$312, respectively, and were equal to the required contributions for each year.

10. Cash and Investments

Louisiana Revised Statutes authorize the City to invest in United States bonds, treasury notes, time certificates of deposit, or any other federally insured instrument. Cash and investments are held separately by each of the City's funds. At June 30, 2003, the City's cash and investments totaled \$2,288,056. Bank account balances at June 30, 2003, totaled \$2,082,806. Of the amounts held in commercial banks, \$261,602 was covered by federal depository insurance.

The City's cash and investments are categorized below to give an indication of the level of risk assumed by the City at June 30, 2003. Category 1 includes cash that is held by the City, cash and investments that are insured or registered, or investments held by the City or its brokers in the City's name. Category 2 would include uninsured and unregistered investments for which the securities are held by the broker's dealer's trust department or agent in the City's name. Category 3 would include uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the City's name.

(Continued)

CITY OF WINNFIELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003

	Category			Carrying	Market
	1	2	3	Value	Value
Cash -					
Petty Cash	\$ 2,956	\$ 0	\$ 0	\$ 2,956	\$ 2,956
Demand Deposits	161,602	959,076	0	1,120,678	1,120,678
Certificates of Deposit	100,000	822,422	0	922,422	922,422
Investments-					
U. S. Government Securities	242,000	0	0	242,000	242,000
Total	<u>\$ 506,558</u>	<u>\$1,781,498</u>	<u>\$ 0</u>	<u>\$2,288,056</u>	<u>\$2,288,056</u>

11. Compensation of City Councilmen

A detail of compensation paid to individual councilmen for the year ended June 30, 2003 follows:

Kenneth Caldwell	\$ 6,000
William Holden	6,000
Andre' Howard	6,000
V. Matt Milam, III	6,000
Tony Acosta	<u>6,000</u>
Total	<u>\$30,000</u>

12. Lease Obligations

The City of Winnfield, Louisiana was not obligated under any capital or operating lease commitments at June 30, 2003.

13. Fund Equity

Reservations of fund balances of governmental funds are created to either (1) satisfy legal covenants that require a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Specific reservations of the fund balance accounts are summarized below.

General Fund

Reserved for Capital Improvements - Fire Department - This reserve was created to represent funds received by the City under the 2% Fire Insurance Rebate. These funds are restricted to expenditure for capital additions to the City's fire department.

(Continued)

CITY OF WINNFIELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003

Reserved for Protested Ad Valorem Taxes - This reserve represents amounts of ad valorem taxes collected by the City which were paid under protest. These funds are not available for future expenditure until final litigation.

Reserved for Prepaid Insurance - This reserve represents insurance expense for the next fiscal year paid in the fiscal year ended June 30, 2003, and recorded as a current asset. This amount is not available for future expenditure.

Special Revenue Fund

Reserved for Streets, Drainage and Sidewalks - This reserve was created to represent sales taxes collected that are legally dedicated for improvements to streets, drainage and sidewalks.

Reserved for Sewer Improvements - This reserve was created to represent sales taxes collected that are legally dedicated for sewer treatment.

Reserved for Water Works - This reserve was created to represent sales taxes collected that are legally dedicated for water works improvements.

Reserved for Sanitary Landfill and Sanitation - This reserve was created to represent sales taxes collected that are legally dedicated for solid waste landfill.

Reserved for Motor Pool - This reserve was created to represent sales taxes collected that are legally dedicated for capital improvements in the City's motor pool.

Enterprise Fund

Reservations of retained earnings of the enterprise fund are created by increases in assets restricted for emergencies. These increases result from earnings on restricted assets and other transfers to restricted accounts. Earnings on restricted assets are included in the net income of the enterprise fund. When reserved retained earnings are increased, there is an equal reduction to the portion of retained earnings that is unreserved.

Retained Earnings - Reserved for Emergencies - On November 12, 1991, the governing body of the City of Winnfield established an Emergency Reserve Fund in the Utility Fund to be used, solely at the governing body's discretion, to fund extraordinary expenses arising from natural disasters or other major disruptions

(Continued)

CITY OF WINNFIELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003

to the Utility System. Monthly contributions of \$5,000 are made to the Emergency Reserve Fund if the balance in the fund is below \$400,000. If the balance in the fund is in excess of \$400,000 but less than \$500,000, interest earned on the fund is to be deposited back into the fund until the balance reaches \$500,000. When the balance of the fund reaches \$500,000, interest earned on the fund is to be deposited into the general revenues of the Utility Fund. This reserve represents funds restricted for that purpose at June 30, 2003.

14. Economic Development Notes Receivable

At June 30, 2003, the City of Winnfield, Louisiana had an economic development note outstanding of \$ 48,898 which have been funded by the City's revolving loan fund. This note is repayable in installments over five (5) years, bears interest at 2% and is secured by a mortgage on the subrecipient's assets. An allowance for doubtful accounts has not been provided or deemed necessary for this note.

15. Litigation

The City is a defendant in various lawsuits. The City's counsel has advised that at this stage in the proceedings he cannot offer an opinion as to the probable outcome of these suits; however, the potential losses not covered by applicable insurance is not considered to be significant in relation to the City's overall financial condition.

16. Risk Management

The City 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 City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

17. Contributed Capital

During the year ended June 30, 2003, contributed capital changed in the following amounts:

Utility Fund -	
Contribution by Municipalities - Sales Tax Fund & Economic Development	\$ 112,125
Contributed Capital at June 30, 2002	<u>8,158,710</u>
Contributed Capital at June 30, 2003	<u>\$ 8,270,835</u>

(Continued)

CITY OF WINNFIELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003

18. Fund Deficits

At June 30, 2003, no individual fund of the City had a fund deficit.

19. Financial Statement Presentation

GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis, when implemented by the City of Winnfield for the fiscal year ended June 30, 2004, will significantly alter the form and content of the financial statement presentation. Accordingly, the existing financial statements do not represent the new GASB 34 reporting model for governmental bodies, but represent the pre GASB 34 financial reporting model.

(Concluded)

**FINANCIAL SCHEDULES OF INDIVIDUAL FUNDS
AND ACCOUNT GROUPS**

GENERAL FUND

The general fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

CITY OF WINNFELD, LOUISIANA
GENERAL FUND
BALANCE SHEET
JUNE 30, 2003

ASSETS

Cash & Cash Equivalents	\$ 355,326
Time Deposits	350,866
Receivables:	
Due From Other Governments:	
State of Louisiana	30,843
Winn Parish Police Jury	15,589
Due From Other Funds	47,726
Economic Development Notes Receivable	48,898
Other	14,747
Prepaid Insurance Expense	<u>1,529</u>
 TOTAL ASSETS	 <u><u>\$ 865,524</u></u>

LIABILITIES & FUND BALANCES

Liabilities:	
Accounts Payable	\$ 144,316
Payroll & Related Benefits	79,873
Due to Other Funds	<u>29,787</u>
 Total Liabilities	 <u>253,976</u>
 Fund Balances:	
Reserved Fund Balances:	
Reserved For Capital Improvements:	
Fire Department	366,455
Reserved For Protested Taxes & Licenses	1,220
Reserved For Economic Development - Notes	48,898
Reserved For Police, Fire, & Other - Cash	57,661
Reserved For Prepaid Insurance	1,529
Unreserved Fund Balance - Undesignated	<u>135,785</u>
 Total Fund Balances	 <u>611,548</u>
 TOTAL LIABILITIES & FUND BALANCES	 <u><u>\$ 865,524</u></u>

Supplementary schedule. Presented as additional analytical data.

CITY OF WINNFELD, LOUISIANA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 2003

REVENUES:	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Taxes:			
Ad Valorem	\$ 111,000	\$ 111,402	\$ 402
Franchise	<u>65,800</u>	<u>68,876</u>	<u>3,076</u>
Total Taxes	<u>176,800</u>	<u>180,278</u>	<u>3,478</u>
Licenses and Permits:			
Occupational Licenses	177,000	186,804	9,804
Other Licenses & Permits	<u>5,510</u>	<u>5,303</u>	<u>(207)</u>
Total Licenses & Permits	<u>182,510</u>	<u>192,107</u>	<u>9,597</u>
Intergovernmental Revenues:			
Beer & Tobacco Taxes	5,500	4,991	(509)
2% Fire Insurance Rebate	13,000	15,589	2,589
Winn Parish Police Jury - Streets	20,000	20,000	-
Winn Parish Police Jury - Recreation	8,000	8,000	-
State of Louisiana	<u>946,680</u>	<u>854,523</u>	<u>(92,157)</u>
Total Intergovernmental Revenues	<u>993,180</u>	<u>903,103</u>	<u>(90,077)</u>
Charges for Services:			
Sanitation	320,000	323,011	3,011
Other	<u>19,000</u>	<u>24,227</u>	<u>5,227</u>
Total Charges for Services	<u>339,000</u>	<u>347,238</u>	<u>8,238</u>
Fines	<u>8,000</u>	<u>10,669</u>	<u>2,669</u>
Interest	<u>23,500</u>	<u>21,084</u>	<u>(2,416)</u>
Miscellaneous Revenues:			
Rental Buildings & Equipment	4,650	4,680	30
Other	<u>64,400</u>	<u>37,846</u>	<u>(26,554)</u>
Total Miscellaneous Revenues	<u>69,050</u>	<u>42,526</u>	<u>(26,524)</u>
TOTAL REVENUES	<u>1,792,040</u>	<u>1,697,005</u>	<u>(95,035)</u>

(Continued)

CITY OF WINNFELD, LOUISIANA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 2003

EXPENDITURES:	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Current:			
General Government:			
Salaries & Related Costs	269,240	275,793	(6,553)
Insurance	34,000	33,715	285
Utilities & Telephone	47,900	45,498	2,402
Legal, Accounting, & Elections	56,000	54,100	1,900
Advertising & Dues	24,000	17,753	6,247
Travel and Training	7,600	8,739	(1,139)
Property Repairs and Maintenance	38,900	35,377	3,523
Airport	20,000	19,644	356
Coroner	30,000	27,099	2,901
Office Supplies	16,600	17,850	(1,250)
Main Street Program	4,500	4,661	(161)
Capital Expenditures	6,000	3,531	2,469
Grant Administration	30,000	-	30,000
Other	<u>117,400</u>	<u>124,087</u>	<u>(6,687)</u>
Total General Government	<u>702,140</u>	<u>667,847</u>	<u>34,293</u>
Public Safety:			
Police:			
Salaries & Related Costs	606,100	607,293	(1,193)
Insurance	35,500	24,689	10,811
Vehicle Costs	45,000	36,448	8,552
Utilities & Telephone	25,700	28,283	(2,583)
Prisoner Maintenance	130,000	126,203	3,797
Property Repairs & Maintenance	12,000	10,015	1,985
Capital Expenditures	50,000	44,404	5,596
Other	<u>43,900</u>	<u>45,887</u>	<u>(1,987)</u>
Total Police	<u>948,200</u>	<u>923,222</u>	<u>24,978</u>
Fire:			
Salaries & Related Costs	207,450	210,707	(3,257)
Insurance	16,500	17,160	(660)
Utilities & Telephone	12,000	11,076	924
Truck Costs	10,000	13,741	(3,741)
Capital Expenditures	28,600	26,828	1,772
Other	<u>32,950</u>	<u>27,300</u>	<u>5,650</u>
Total Fire	<u>307,500</u>	<u>306,812</u>	<u>688</u>

(Continued)

CITY OF WINNFELD, LOUISIANA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 2003

EXPENDITURES (Continued):	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Animal Shelter:			
Salaries & Related Costs	26,050	25,268	782
Capital Expenditure	6,500	6,566	(66)
Other	6,650	6,946	(296)
Total Animal Shelter	<u>39,200</u>	<u>38,780</u>	<u>420</u>
Streets, Drainage & Sidewalks:			
Salaries & Related Costs	221,600	223,544	(1,944)
Truck Costs	29,000	27,412	1,588
Street Materials & Repairs	600	917	(317)
Streets, Drainage & Sidewalks	37,000	34,732	2,268
Capital Expenditure	8,500	-	8,500
Other	18,600	12,741	5,859
Total Streets, Drainage & Sidewalks	<u>315,300</u>	<u>299,346</u>	<u>15,954</u>
Motor Pool:			
Salaries & Related Costs	24,800	24,641	159
Parts & Supplies	4,000	4,176	(176)
Other	1,100	1,063	37
Total Motor Pool	<u>29,900</u>	<u>29,880</u>	<u>20</u>
Sanitation & Sanitary Landfill:			
Compaction Station:			
Salaries & Related Costs	86,000	86,439	(439)
Tipping Fees	22,000	22,407	(407)
Utilities & Telephone	1,850	1,783	67
Repairs & Maintenance	500	414	86
Vehicle Costs	4,500	4,331	169
Capital Expenditure	1,500	1,499	1
Other	17,600	13,767	3,833
Total Compaction Station	<u>133,950</u>	<u>130,640</u>	<u>3,310</u>
Garbage Pickup:			
Insurance	-	2,672	(2,672)
Private Hauler Collection Fees	168,000	143,066	24,934

(Continued)

CITY OF WINNFELD, LOUISIANA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 2003

			VARIANCE FAVORABLE (UNFAVORABLE)
EXPENDITURES (Continued):	<u>BUDGET</u>	<u>ACTUAL</u>	
Vehicle Costs	-	225	(225)
Other	-	30	(30)
Total Garbage Pickup	<u>168,000</u>	<u>145,993</u>	<u>22,007</u>
Total Sanitation & Sanitary Landfill	<u>301,950</u>	<u>276,633</u>	<u>25,317</u>
Recreation:			
Salaries & Related Costs	132,050	133,607	(1,557)
Utilities & Telephone	22,100	20,757	1,343
Repairs & Maintenance	10,250	11,373	(1,123)
Supplies	29,650	26,566	3,084
Capital Expenditures	2,000	2,299	(299)
Civic Center & Museum	24,500	24,253	247
Other	<u>11,050</u>	<u>10,018</u>	<u>1,032</u>
Total Recreation	<u>231,600</u>	<u>228,873</u>	<u>2,727</u>
Capital Outlays	<u>1,120,500</u>	<u>1,161,764</u>	<u>(41,264)</u>
Debt Service	<u>7,100</u>	<u>7,063</u>	<u>37</u>
TOTAL EXPENDITURES	<u>4,003,390</u>	<u>3,940,220</u>	<u>63,170</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,211,350)	(2,243,215)	(31,865)
OTHER FINANCING SOURCES (USES)	<u>1,800,000</u>	<u>1,811,896</u>	<u>11,896</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(411,350)	(431,319)	(19,969)
FUND BALANCE - Beginning of Year	<u>1,042,867</u>	<u>1,042,867</u>	<u>-</u>
FUND BALANCE - End of Year	<u>\$ 631,517</u>	<u>\$ 611,548</u>	<u>(\$ 19,969)</u>

Supplementary schedule. Presented as additional analytical data.

(Concluded)

SPECIAL REVENUE FUND

Special revenue funds are used to account for the proceeds of specific revenue sources other than special assessments, expendable trusts, or major capital projects that are legally restricted to expenditures for specified purposes.

Sales Tax Fund - To account for the receipt and use of proceeds of the City's one and one-half percent (1 ½%) sales and use tax. An ordinance adopted on July 20, 1993, by the Board of Aldermen, which was approved in a special election on July 17, 1993, provides that the proceeds of the sales tax, after costs of administering the fund, be dedicated for the following purposes:

Streets, Drainage and Sidewalks	33%
Sewer Improvements	30%
Water Works	25%
Sanitary Landfill and Sanitation	10%
Motor Pool	<u>2%</u>
	<u>100%</u>

CITY OF WINNFIELD, LOUISIANA
SPECIAL REVENUE FUND
SALES TAX FUND
BALANCE SHEET
JUNE 30, 2003

ASSETS

Cash and Cash Equivalents	\$ 696,345
Receivables:	
Due From Other Governments:	
State of Louisiana	-
Winn Parish School Board	75,454
Due From Other Funds	<u>83,059</u>
TOTAL ASSETS	<u>\$ 854,858</u>

LIABILITIES AND FUND BALANCES

Liabilities:	
Accounts Payable	\$ 76,923
Due to Other Funds	<u>4,910</u>
Total Liabilities	<u>81,833</u>
Fund Balance:	
Reserved Fund Balances:	
Reserved for Streets, Drainage and Sidewalks	304,395
Reserved for Sewer Improvements	212,937
Reserved for Water Works	57,228
Reserved for Sanitary Landfill and Sanitation	191,718
Reserved for Motor Pool	<u>6,747</u>
Total Fund Balance - Reserved	<u>773,025</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 854,858</u>

Supplementary schedule. Presented as additional analytical data.

CITY OF WINNFELD, LOUISIANA
SPECIAL REVENUE FUND
SALES TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 2003

			VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:	<u>BUDGET</u>	<u>ACTUAL</u>	
Taxes - Sales Taxes	\$ 965,000	\$ 987,237	\$ 22,237
Interest Income	<u>7,000</u>	<u>6,703</u>	(<u>297</u>)
Total Revenues	<u>972,000</u>	<u>993,940</u>	<u>21,940</u>
EXPENDITURES:			
Current:			
Collection and Administration	47,400	49,414	(2,014)
Streets, Drainage & Sidewalks	415,000	387,918	27,082
Motor Pool	-	-	-
Sanitation & Sanitary Landfill	135,000	149,519	(14,519)
Sewer	215,000	202,881	12,119
Water	200,000	201,803	(1,803)
Capital Outlay	<u>132,000</u>	<u>149,256</u>	(<u>17,256</u>)
Total Expenditures	<u>1,144,400</u>	<u>1,140,791</u>	<u>3,609</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(<u>172,400</u>)	(<u>146,851</u>)	<u>25,549</u>
OTHER FINANCING SOURCES (USES):			
Operating Transfers In	-	20,000	20,000
Operating Transfers Out	<u>-</u>	(<u>12,425</u>)	(<u>12,245</u>)
Total Other Financing Sources (Uses)	<u>-</u>	<u>7,575</u>	<u>7,575</u>
EXCESS (DEFICIENCY) OF REVENUES & OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES & OTHER FINANCING (USES)	(172,400)	(139,276)	33,124
FUND BALANCE, Beginning of Year	<u>912,301</u>	<u>912,301</u>	<u>-</u>
FUND BALANCE, End of Year	<u>\$ 739,901</u>	<u>\$ 773,025</u>	<u>\$ 33,124</u>

Supplementary schedule. Presented as additional analytical data.

CAPITAL PROJECTS FUND

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise Funds.)

The capital projects fund of the City consists of the following :

2002 Louisiana Community Development Block Grant in the amount of \$750,000 for water system upgrades to systems to comply with various recommendations of applicable agencies.

CITY OF WINNFIELD, LOUISIANA
CAPITAL PROJECTS FUND
BALANCE SHEET
JUNE 30, 2003

ASSETS

Cash and Cash Equivalents	\$ -
Intergovernmental Receivables: State of Louisiana	<u>-</u>
TOTAL ASSETS	<u><u>\$ -</u></u>

LIABILITIES AND FUND BALANCES

Liabilities: Accounts Payable	<u>\$ -</u>
Fund Balance - Unreserved - Undesignated	<u>-</u>
TOTAL LIABILITIES & FUND BALANCE	<u><u>\$ -</u></u>

Supplementary schedule. Presented as additional analytical data.

ENTERPRISE FUND

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the government's council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government's council has decided that periodic determination of net income is appropriate for accountability purposes.

Utility Fund

The City's utility fund accounts for the provision of electric, water, and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund; including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

CITY OF WINNFIELD, LOUISIANA
 ENTERPRISE FUND
 UTILITY FUND
 BALANCE SHEET
 JUNE 30, 2003

ASSETS

Current Assets:	
Cash & Cash Equivalents	\$ 534,951
Time Deposits	12,995
Receivables:	
Utility Billings	1,155,909
Other	53,988
Inventory, at cost	<u>151,303</u>
Total Current Assets	<u>1,909,146</u>
Restricted Assets:	
Customer Deposits:	
Cash & Cash Equivalents	95,573
Investments	<u>242,000</u>
Total Restricted Assets	<u>337,573</u>
Property, Plant, and Equipment, at cost, Net of Accumulated Depreciation - \$8,776,093	<u>8,477,337</u>
Other Assets:	
Refundable Deposits	<u>4,800</u>
TOTAL ASSETS	<u><u>\$10,728,856</u></u>

(Continued)

CITY OF WINNFELD, LOUISIANA
ENTERPRISE FUND
UTILITY FUND
BALANCE SHEET
JUNE 30, 2003

LIABILITIES AND FUND EQUITY	
Current Liabilities (Payable from Current Assets):	
Accounts Payable	\$ 845,765
Accrued Salaries Payable	38,703
Payroll Withholdings & Related Benefits	23,780
Due to Other Funds	96,088
Sales Taxes Payable	17,700
Current Portion of Notes Payable	<u>97,766</u>
Total Current Liabilities (Payable from Current Assets)	<u>1,119,802</u>
Current Liabilities (Payable from Restricted Assets):	
Customer Deposits Payable	<u>300,249</u>
Long Term Liabilities:	
Installment Notes Payable	<u>493,900</u>
Total Liabilities	<u>1,913,951</u>
Fund Equity:	
Contributed Capital:	
Municipality	2,521,435
Waterworks & Sewer District	654,668
Louisiana Department of Public Safety and Corrections	1,201,280
Customers and Federal government	<u>3,893,452</u>
Total Contributed Capital	<u>8,270,835</u>
Retained Earnings:	
Reserved for Emergencies	389,018
Unreserved	<u>155,052</u>
Total Retained Earnings	<u>544,070</u>
Total Fund Equity	<u>8,814,905</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 10,728,856</u>

Supplementary schedule. Presented as additional analytical data

(Concluded)

CITY OF WINNFIELD, LOUISIANA
 ENTERPRISE FUND
 UTILITY FUND
 SCHEDULE OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS
 YEAR ENDED JUNE 30, 2003

OPERATING REVENUES:

Charges for Services:

Electric Department:

Electricity Sales	\$3,477,178
Fuel Adjustment	2,414,673
Penalties	143,599
Service Fees	<u>51,523</u>

Total Electric Department	<u>6,086,973</u>
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Water Department:

Water Sales	557,221
Service Fees	<u>1,895</u>

Total Water Department	<u>559,116</u>
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Sewer Department:

Sewer Service Charges	206,301
Service Fees	<u>1,000</u>

Total Sewer Department	<u>207,301</u>
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Total Operating Revenues	<u>6,853,390</u>
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OPERATING EXPENSES:

Electric Department:

Power Purchased	3,824,631
Salaries & Related Costs	191,136
Depreciation	125,568
Property Repairs & Maintenance	87,720
Insurance	43,698
Materials & Supplies	50,420
Utilities & Telephone	1,447
Other Miscellaneous Expenses	<u>4,214</u>

Total Electric Department	<u>4,328,834</u>
---------------------------	------------------

(Continued)

CITY OF WINNFIELD, LOUISIANA
ENTERPRISE FUND
UTILITY FUND
SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS (CONTINUED)
YEAR ENDED JUNE 30, 2003

OPERATING EXPENSES: (Continued)

Water Department:

Salaries & Related Costs	113,949
Property Repairs & Maintenance	76,333
Depreciation	137,993
Insurance	34,712
Materials & Supplies	17,857
Utilities & Telephone	38,156
Other Miscellaneous Expenses	<u>6,668</u>

Total Water Department	<u>425,668</u>
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Sewer Department:

Salaries & Related Costs	107,208
Property Repairs & Maintenance	1,646
Depreciation	162,630
Utilities & Telephone	1,785
Materials & Supplies	3,675
Insurance	18,047
Other Miscellaneous Expenses	<u>1,174</u>

Total Sewer Department	<u>296,165</u>
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General & Administrative:

Salaries & Related Costs	216,092
Utilities & Telephone	13,857
Materials & Supplies	24,133
Property Repairs & Maintenance	12,267
Bad Debt	36,716
Insurance	3,798
Professional Fees	9,500
Other Miscellaneous Expenses	<u>1,929</u>

Total General & Administrative	<u>318,292</u>
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Total Operating Expenses	<u>5,368,959</u>
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Operating Income	<u>1,484,431</u>
------------------	------------------

(Continued)

CITY OF WINNFELD, LOUISIANA
 ENTERPRISE FUND
 UTILITY FUND
 SCHEDULE OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS (CONTINUED)
 YEAR ENDED JUNE 30, 2003

NONOPERATING REVENUES (EXPENSES):	
Interest Income	29,350
Other Nonoperating Income	24,209
Interest Expense	<u>(38,591)</u>
Total Nonoperating Revenues (Expenses)	<u>14,968</u>
INCOME BEFORE OPERATING TRANSFERS	1,499,399
Operating Transfers Out	<u>(1,831,896)</u>
NET INCOME (LOSS)	(332,497)
(INCREASE) DECREASE IN RETAINED EARNINGS RESERVED FOR EMERGENCIES	<u>9,995</u>
NET CHANGE IN UNRESERVED RETAINED EARNINGS	(322,502)
RETAINED EARNINGS - UNRESERVED - Beginning	<u>477,554</u>
RETAINED EARNINGS - UNRESERVED - Ending	<u>\$ 155,052</u>

Supplementary schedule. Presented as additional analytical data.

(Concluded)

GENERAL FIXED ASSETS ACCOUNT GROUP

The general fixed assets account group is used to account for fixed assets not used in proprietary fund operations or accounted for in trust funds.

CITY OF WINNFELD, LOUISIANA
 DETAILED SCHEDULE OF GENERAL FIXED ASSETS
 JUNE 30, 2003

GENERAL FIXED ASSETS, at cost:

Land	\$ 174,822
Cemetery Addition	250
Buildings:	
Equipment Building	26,138
City Hall	92,580
Allen Building	229,310
Winnfield Industrial Facility	513,007
Jail Building	1,548,798
Museum	83,484
Dog Pound	23,766
American Tar and Turpentine Plant	194,896
Donald C. Joyce Airport	319,334
Garbage Assets	504,900
Recreation Assets	535,117
Mini-Parks	68,705
Furniture and Fixtures	57,225
Machinery, Equipment and Trucks	1,148,648
Fire Station	<u>270,239</u>

TOTAL GENERAL FIXED ASSETS	<u><u>\$5,791,219</u></u>
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INVESTMENT IN GENERAL FIXED ASSETS:

Ad Valorem Taxes (Fire Bond)	\$ 32,710
Economic Development Funds & Grants	751,841
Community Development Block Grant	840,893
Donations	67,932
Winn Parish Police Jury Funds	18,000
Federal Grants	73,199
General & Sales Tax Fund Revenues	2,183,795
General Obligation Bonds	460,000
Federal Aviation Administration Grant	280,464
Other State Grants	<u>1,082,385</u>

TOTAL INVESTMENT IN GENERAL FIXED ASSETS	<u><u>\$5,791,219</u></u>
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Supplementary schedule. Presented as additional analytical data.

CITY OF WINNFIELD, LOUISIANA
 DETAILED SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
 JUNE 30, 2003

GENERAL FIXED ASSETS, at cost:	<u>Balance 7/1/02</u>	<u>Additions</u>	<u>Retire- ments</u>	<u>Balance 6/30/03</u>
Land	\$ 174,822			\$ 174,822
Cemetery Addition	250			250
Buildings:				
Equipment Building	26,138			26,138
City Hall	88,524	\$ 4,056		92,580
Allen Building	229,310			229,310
Winnfield Industrial Facility	505,832	7,175		513,007
Jail Building	447,692	1,101,106		1,548,798
Museum	83,484			83,484
Dog Pound	17,200	6,566		23,766
American Tar and Turpentine Plant	194,896			194,896
Donald C. Joyce Airport	319,334			319,334
Garbage Assets	503,401	1,499		504,900
Recreation Assets	483,391	51,726		535,117
Mini-Parks	68,705			68,705
Furniture and Fixtures	31,096	26,129		57,225
Machinery, Equipment and Trucks	1,029,431	119,217		1,148,648
Fire Station	<u>248,339</u>	<u>26,828</u>	<u>\$ 4,928</u>	<u>270,239</u>
TOTAL GENERAL FIXED ASSETS	<u>\$4,451,845</u>	<u>\$1,344,302</u>	<u>\$ 4,928</u>	<u>\$5,791,219</u>

Supplementary schedule. Presented as additional analytical data.

GENERAL LONG-TERM DEBT ACCOUNT GROUP

The general long-term debt account group is used to account for unmatured principal amounts on general long-term debt expected to be financed from governmental type funds (except special assessment funds) . Payment of maturing obligations, including interest, is accounted for in the general fund.

CITY OF WINNFIELD, LOUISIANA
SCHEDULE OF GENERAL LONG-TERM DEBT
JUNE 30, 2003

AMOUNT AVAILABLE AND TO BE PROVIDED FOR
THE RETIREMENT OF GENERAL LONG-TERM DEBT

Amount to be Provided from General Fund Revenues	<u>\$ 117,614</u>
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TOTAL AVAILABLE AND TO BE PROVIDED	<u>\$ 117,614</u>
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GENERAL LONG-TERM DEBT PAYABLE

Notes Payable	\$ -
Accumulated Compensated Absences	<u>117,614</u>

TOTAL GENERAL LONG TERM DEBT PAYABLE	<u>\$ 117,614</u>
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Supplementary schedule. Presented as additional analytical data.

INTERNAL CONTROL AND COMPLIANCE SECTION

WHITE & BATES
CERTIFIED PUBLIC ACCOUNTANTS
203 NORTH ABEL STREET
P. O. BOX 1397
WINNFIELD, LA 71483

(318) 628-3985
FAX (318) 628-3988

LAWRENCE I. WHITE, C.P.A.

STEVEN F. BATES, C.P.A.

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

To the Honorable Deano Thornton, Mayor
and the City Council of Winnfield, Louisiana

We have audited the general purpose financial statements of the City of Winnfield, Louisiana, as of and for the year ended June 30, 2003, and have issued our report thereon dated December 11, 2003. 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 City of Winnfield's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as items 03-1 and 03-2. We also noted certain immaterial instances of noncompliance that we have reported to management of the City of Winnfield in a separate letter dated December 11, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Winnfield's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. 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 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 relatively low risk the misstatements in amounts that would be material in relation to the general purpose 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

A handwritten signature in cursive script that reads "White & Bates".

White & Bates, CPA's
December 11, 2003
Winnfield, Louisiana

CITY OF WINNFIELD, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2003

I. SUMMARY OF AUDIT RESULTS

1. An unqualified opinion was issued on the audited financial statements of the City of Winnfield as of and for the year ended June 30, 2003.
2. The Audit of the financial statements disclosed no matters involving internal control over financial reporting and its operation that we consider to be reportable conditions.
3. Three instances of noncompliance material to the audited financial statements of the City of Winnfield were disclosed during the audit and 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.

FINDINGS - FINANCIAL STATEMENTS AUDIT**INSTANCES OF NONCOMPLIANCE****03-1 General Fund Actual Revenues Fail to Meet Budgeted Revenues by more than 5%**

Finding - Louisiana Revised Statute 39:1311 requires the governing authority to amend its budget when actual receipts plus projected revenue collections for the year fail to meet budgeted revenues by five percent or more, or when actual expenditures plus projected expenditures to year end exceed budgeted expenditures by five percent or more. The actual revenues for the General Fund for the year ended June 30, 2003 failed to meet budgeted revenues by 5.3%.

Recommendation - The management of the City of Winnfield should monitor actual revenues and expenditures during the year and propose budget amendments as necessary to comply with LSA-RS 39:1311.

Response - The variance noted was due to budgeted revenues related to a grant from the State of Louisiana for improvements to an industrial facility owned by the City of Winnfield. Due to an unexpected delay in receiving these grant funds, these revenues did not meet the City's criteria for revenue accrual into the year ended June 30, 2003. The receipt of these monies will be included in General Fund revenues during the year ended June 30, 2004. Although it is sometimes difficult to anticipate when certain grant monies will be received, the management of the City of Winnfield will continue to carefully monitor actual revenues and expenditures and propose budget amendments as necessary to comply with LSA-RS 39:1311.

(Continued)

03-2 Accumulation of Compensatory Time

Finding - Chapter 2, Section 59 of the Code of Ordinances of the City of Winnfield states that no more than four hundred eighty (480) compensatory hours may be accumulated at any time by one employee. At June 30, 2003 the compensatory time records of the City of Winnfield indicated that one employee of the City had accumulated in excess of the 480 hours limitation.

Recommendation -The City of Winnfield should immediately allow this employee to take compensatory time off sufficient enough to bring the employee's accumulated compensatory time below the 480 hour maximum. If the employee is unable to take such time off, the City of Winnfield should immediately pay this employee for all compensatory time accumulated in excess of 480 hours.

Response -The excess accumulated compensatory time in question was created due to the recalculation of compensatory time by the City of Winnfield as a result of litigation brought by certain officers of the police and fire departments. This recalculation disclosed that certain employees had actually accumulated more compensatory time than had originally been reported. Only one employee actually had accumulated more than 480 hours of such time. The management of the City of Winnfield has indicated that this employee will be given the option to take compensatory time off sufficient enough to reduce the employee's accumulated compensatory time balance below 480 hours, or to be paid for all compensatory time in excess of 480 hours.

(Concluded)

CITY OF WINNFELD, LOUISIANA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2003

FINDINGS - FINANCIAL STATEMENTS AUDIT**INSTANCES OF NONCOMPLIANCE****02-1 General Fund Actual Revenues Fail to Meet Budgeted Revenues by more than 5%**

Finding - Louisiana Revised Statute 39:1311 requires the governing authority to amend its budget when actual receipts plus projected revenue collections for the year fail to meet budgeted revenues by five percent or more, or when actual expenditures plus projected expenditures to year end exceed budgeted expenditures by five percent or more. The actual revenues for the General Fund for the year ended June 30, 2002 failed to meet budgeted revenues by 5.3%.

Recommendation - The management of the City of Winnfield should monitor actual revenues and expenditures during the year and propose budget amendments as necessary to comply with LSA-RS 39:1311.

Current Status - The variance noted was due to budgeted revenues related to the grant from the State of Louisiana for construction of the new police station. Due to weather problems that prevented construction from proceeding at the expected pace, a smaller amount of grant proceeds was received from the State of Louisiana than was expected when the budget was amended during June 2002. The management of the City of Winnfield has carefully monitored actual revenues and expenditures and budget amendments have been proposed as necessary in an attempt to comply with LSA-RS 39:1311. The timing of the receipt of certain grant revenues from the State of Louisiana continue to make it difficult to budget these revenues accurately.

REPORTABLE CONDITIONS**02-2 Disbursement of Police Informant Funds Supported by What Appears to be Forged Documents**

Finding - Some funds disbursed by the police department for informant information are supported by what appears to be forged documents. The informant's name appears forged on some documents and the informants fingerprints appear to be different on some documents.

Recommendation - Although we were unable to determine during our examination if the documents in question were forged, we do recommend that the "impress" method be used to account for informant funds.

(Continued)

Current Status - The City of Winnfield Police Department now uses the “impress” method of accounting for informant funds. Also, informant receipts are utilized to compare certain items such as signature and thumbprint to those maintained in the confidential informant file.

02-3 Certain Items not Accounted for in Evidence Room Inventory

Finding - A review of the “Evidence Room” indicated that certain items that had been seized from individuals were not accounted for on the “Evidence Room” inventory.

Recommendation - Although we were unable to determine if the items in question were not properly accounted for as of the date of the internal control evaluation, we recommend that the City of Winnfield Police Department implement adequate internal controls over the evidence room to insure that evidence is not only accounted for properly but is also safeguarded.

Current Status - The City of Winnfield Police Department appears to have an adequate system of internal controls in place to safeguard the evidence room and related evidence items. These controls include control of access to the evidence room as well as proper logging and tagging of evidence items.

02-4 Certain Item on Fixed Asset Listing not Accounted For

Finding - One 12 gauge shotgun owned by the City of Winnfield was unaccounted for.

Recommendation - During our examination, the shotgun in question was still unaccounted for. We recommend that the property manager perform a complete physical inventory of all fixed assets assigned to the Winnfield Police Department each fiscal year.

Current Status - During the year ended June 30, 2003, the 12 gauge shotgun in question was located by the Winnfield Police Department. The Winnfield Police Department performs a complete physical inventory each year of all fixed assets assigned to the Department.

02-5 Jailers and Part-time Jailers Paid by the City of Winnfield Subsequent to Closure of City Jail

Finding - Jailers and part-time jailers were paid by the City of Winnfield subsequent to the closure of the City jail. This action may constitute payroll fraud.

Recommendation - As part of our examination, we interviewed current police officers that were employed under the previous Chief of Police during the period of time in question. These officers indicated that the jailers were assigned other duties including assisting in patrol and transporting prisoners. During our examination, we were unable to determine from payroll records what duties these jailers were performing during this period. We recommend that the City of Winnfield document the duties performed by all employees that have been temporarily assigned tasks that are different from their normal position. This can be accomplished with a memorandum from the department head making the assignment. This will assist in making sure that no employee is being paid when no work is being performed.

(Continued)

Current Status - Although these jailers were assigned various other duties after the jail was closed, the newly elected Chief of Police decided when his term began to not schedule the jailers for work until the new jail was completed. Should any employees in the future be temporarily assigned duties apart from their normal position, documentation will be received from the department head responsible for making such assignment as to the duties the employee will be performing. It should be noted that during the year ended June 30, 2003, no employees were temporarily assigned duties apart from their normal position.

02-6 Winn Parish Fair Board Checks to Winnfield City Police Department not Deposited into City Account

Finding - During our examination, we were provided evidence that the Winn Parish Fair Board issued checks to the Winnfield City Police Department for the off-duty patrolmen who worked at the fair. From the endorsements and based on a review of the City's bank records, it is apparent that these checks were not deposited into the City's account. It appears that they were cashed by the former Chief of Police.

Recommendation - Discussions with current police officers who worked under the previous Chief of Police, indicate that the City of Winnfield Police Department had an informal agreement with the Winn Parish Fair Board for patrol of the Winn Parish Fair. The Police Department was to receive a percentage of the gate receipts from the fair and these funds would be used to compensate the patrolmen actually working the fair. We recommend that any agreement between the Winn Parish Fair Board and the City of Winnfield be put in writing. Also, we recommend that any payment received by the City of Winnfield for these services should be deposited into the City's bank account and the officers working the fair should be compensated under the normal payroll procedures of the City.

Current Status - The most recent payment received by the Winnfield Police Department for security services performed for the Winn Parish Fair Board has been deposited into the City's bank account and the officers working the fair have been compensated under the normal payroll procedures of the City.

MANAGEMENT LETTER

2002-1 SALES TAX COLLECTIONS

Observation - The City of Winnfield has a contract with the Winn Parish School Board to collect the sales and use taxes authorized by the City's Sales and Use Tax Ordinance. This contract provides that the Winn Parish School Board shall be paid a 3% fee of gross collections and that any and all expenses incurred by the school board in collecting such taxes be the responsibility of the Winn Parish School Board. In a number of prior periods, the Winn Parish School Board has withheld from remittances to the City of Winnfield certain collection costs in excess of the 3% fee provided in the contract. These withheld collection costs, which were paid to outside vendors, appear to be costs that are to be absorbed by the school board under the contract. It is our understanding that a meeting has been held between the City of Winnfield and representatives from the Winn Parish School Board. This meeting

(Continued)

resulted in a decision to request the attorneys for both parties to review the current contract and make a recommendation to resolve this issue. As of the date of this report, no such recommendation has been received.

Recommendation - The City of Winnfield should follow up with the City attorney to insure that the contract is being reviewed and that a recommendation to resolve this issue will be forthcoming in a timely fashion.

Current Status -The contract with the Winn Parish School Board to collect the City's sales and use tax expired on November 30, 2003. The Mayor of the City of Winnfield is currently in the process of negotiating a new contract with the Winn Parish School Board for these sales and use tax collections. The Mayor has indicated that the new contract will address the collection costs being paid to outside vendors.

(Concluded)

WHITE & BATES

CERTIFIED PUBLIC ACCOUNTANTS

203 NORTH ABEL STREET

P. O. BOX 1397

WINNFIELD, LA 71483

(318) 628-3985

FAX (318) 628-3988

LAWRENCE I. WHITE, C.P.A.

STEVEN F. BATES, C.P.A.

December 11, 2003

Deano Thornton, Mayor
City of Winnfield
P. O. Box 509
Winnfield, LA 71483

Dear Mayor Thornton:

In planning and performing our audit of the general purpose financial statements of the City of Winnfield, Louisiana, as of and for the year ended June 30, 2003, we considered the City's internal control over financial reporting to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. We also performed tests of the City's compliance with certain provisions of law, regulations, contracts, and grants for the purpose of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement and not to provide an opinion on the overall compliance with such provisions.

During the course of our audit we became aware of certain matters that we believe are opportunities for strengthening the internal control over financial reporting, improving compliance with certain laws and regulations, and for obtaining increased utilization of resources and operating efficiency. The following sections of this letter summarize our comments and suggestions and this letter does not affect our reports dated December 11, 2003 on the general purpose financial statements or the related reports on internal control over financial reporting and compliance.

1. SALES TAX COLLECTIONS

Observation - The City of Winnfield has a contract with the Winn Parish School Board to collect the sales and use taxes authorized by the City's Sales and Use Tax Ordinance. This contract provides that the Winn Parish School Board shall be paid a 3% fee of gross collections and that any and all expenses incurred by the school board in collecting such taxes be the responsibility of the Winn Parish School Board. In a number of prior periods, the Winn Parish School Board has withheld from remittances to the City of Winnfield certain collection costs in excess of the 3% fee provided in the contract. These withheld collection costs, which were paid to outside vendors, appear to be costs that are to be absorbed by the school board under the contract. It is our understanding that a meeting has been held between the City of Winnfield and representatives from the Winn Parish School Board. This meeting resulted in a decision to request the attorneys for both parties to review the current contract and make a recommendation to resolve this issue. As of the date of this report, no such recommendation has been received.

MANAGEMENT LETTER (CONTINUED)

Recommendation - The City of Winnfield should follow up with the City attorney to insure that the contract is being reviewed and that a recommendation to resolve this issue will be forthcoming in a timely fashion.

Sincerely,

A handwritten signature in cursive script that reads "White & Bates". The signature is written in dark ink and is positioned above the printed name.

White & Bates

City of Winnfield

PHONE (318) 628-3939
FAX (318) 628-6773
P. O. BOX 509
WINNFIELD, LOUISIANA
71483

winn@iamerica.net



Deano Thornton, Mayor

Council Members
TONY ACOSTA
KENNY CALDWELL
WILLIE HOLDEN
ANDRE' HOWARD
MATT MILAM

CORRECTIVE ACTION PLAN

December 17, 2003

The City of Winnfield respectfully submits the following corrective action plan for the year ended June 30, 2003.

Name and address of independent public accounting firm:

White & Bates
203 North Abel Street
Winnfield, LA 71483

Audit Period: Year ended June 30, 2003

The findings from the June 30, 2003 audit of the general purpose financial statements are discussed below:

COMPLIANCE

1. General Fund Actual Revenues Fail to Meet Budgeted Revenues by more than 5%

Finding - Louisiana Revised Statute 39:1311 requires the governing authority to amend its budget when actual receipts plus projected revenue collections for the year fail to meet budgeted revenues by five percent or more, or when actual expenditures plus projected expenditures to year end exceed budgeted expenditures by five percent or more. The actual revenues for the General Fund for the year ended June 30, 2003 failed to meet budgeted revenues by 5.3%.

Recommendation - The management of the City of Winnfield should monitor actual revenues and expenditures during the year and propose budget amendments as necessary to comply with LSA-RS 39:1311.

Action Taken - The variance noted was due to budgeted revenues related to a grant from the State of Louisiana for improvements to an industrial facility owned by the City of Winnfield. Due to an unexpected delay in receiving these grant funds, these revenues did not meet the City's criteria for revenue accrual into the year ended June 30, 2003. The receipt of these monies will be included in General Fund revenues during the year ended June 30, 2004. Although it is sometimes difficult to anticipate when certain grant monies will be received, the management of the City of Winnfield will continue to carefully monitor actual revenues and expenditures and propose budget amendments as necessary to comply with LSA-RS 39:1311.

2. Accumulation of Compensatory Time

Finding - Chapter 2, Section 59 of the Code of Ordinances of the City of Winnfield states that no more than four hundred eighty (480) compensatory hours may be accumulated at any time by one employee. At June 30, 2003 the compensatory time records of the City of Winnfield indicated that one employee of the City had accumulated in excess of the 480 hours limitation.

Recommendation -The City of Winnfield should immediately allow this employee to take compensatory time off sufficient enough to bring the employee's accumulated compensatory time below the 480 hour maximum. If the employee is unable to take such time off, the City of Winnfield should immediately pay this employee for all compensatory time accumulated in excess of 480 hours.

Action Taken -The excess accumulated compensatory time in question was created due to the recalculation of compensatory time by the City of Winnfield as a result of litigation brought by certain officers of the police and fire departments. This recalculation disclosed that certain employees had actually accumulated more compensatory time than had originally been reported. Only one employee actually had accumulated more than 480 hours of such time. This employee will be given the option to take compensatory time off sufficient enough to reduce the employee's accumulated compensatory time balance below 480 hours, or to be paid for all compensatory time in excess of 480 hours.

MANAGEMENT LETTER COMMENTS

3. Sales Tax Collections

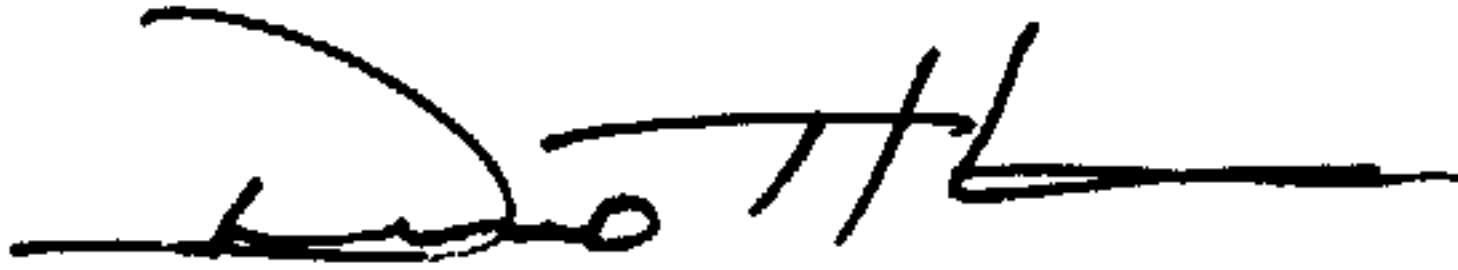
Observation - The City of Winnfield has a contract with the Winn Parish School Board to collect the sales and use taxes authorized by the City's Sales and Use Tax Ordinance. This contract provides that the Winn Parish School Board shall be paid a 3% fee of gross collections and that any and all expenses incurred by the school board in collecting such taxes be the responsibility of the Winn Parish School Board. In a number of prior periods, the Winn Parish School Board has withheld from remittances to the City of Winnfield certain collection costs in excess of the 3% fee provided in the contract. These withheld collection costs, which were paid to outside vendors, appear to be costs that are to be absorbed by the school board under the contract. It is our understanding that a meeting has been held between the City of Winnfield and representatives from the Winn Parish School Board. This meeting resulted in a decision to request the attorneys for both parties to review the current contract and make a recommendation to resolve this issue. As of the date of this report, no such recommendation has been received.

Recommendation - The City of Winnfield should follow up with the City attorney to insure that the contract is being reviewed and that a recommendation to resolve this issue will be forthcoming in a timely fashion.

Action Taken -The contract with the Winn Parish School Board to collect the City's sales and use tax expired on November 30, 2003. The Mayor of the City of Winnfield is currently in the process

of negotiating a new contract with the Winn Parish School Board for these sales and use tax collections. The Mayor has indicated that the new contract will address the collection costs being paid to outside vendors.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Deano Thornton', with a long horizontal flourish extending to the right.

Deano Thornton, Mayor
City of Winnfield