

**CITY OF WINNFIELD
WINNFIELD, LOUISIANA
Basic Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 2004
With Supplemental Information**

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Release Date 1-26-05

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INDEPENDENT AUDITOR'S REPORT

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

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

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

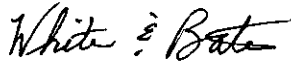
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Winnfield, Louisiana, as of June 30, 2004, and the respective changes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

As described in Note 2, the City has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for States and Local Governments, as of June 30, 2004.

The accompanying required supplementary information, which consists of the Management's Discussion and Analysis, pages 3 to 8, and the Budgetary Comparison Schedules, pages 43 to 45, is not a required part of the basic financial statements, but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2004 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 financial statements that collectively comprise the City of Winnfield's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the City of Winnfield. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



White & Bates
Winnfield, Louisiana
December 21, 2004

City of Winnfield, Louisiana

Management's Discussion and Analysis (MD&A) June 30, 2004

Our discussion and analysis of the City of Winnfield's financial performance provides an overview of the City's financial activities for the fiscal year ended on June 30, 2004. The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model for the City of Winnfield, certain necessary comparative information of the previous year was not prepared. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in the City's financial statements, which immediately follow this section.

Financial Highlights

- The assets of the City of Winnfield exceeded its liabilities at the close of the most recent fiscal year by \$14,062,546 (net assets).
- During the year, the City had expenses that were \$719,874 more than revenues for governmental programs (before net transfers in of \$1,173,697).
- In the City's business-type activities, revenues exceeded expenses by \$1,506,184 (before net transfers out of \$1,173,697)
- The City has capital assets of \$12,424,999 (net of accumulated depreciation). Debt related to the capital assets totaled \$493,526 at June 30, 2004.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) financial statements of individual funds, and 3) notes to the financial statements.

Government-wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned, but unused, compensated absences).

City of Winnfield, Louisiana

Management's Discussion and Analysis (MD&A)

June 30, 2004

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets, motor pool, sanitation, recreation and economic development. The business-type activities of the City include utilities administration, electric, water and sewer, and interest on long-term debt. The government-wide financial statements can be found on pages 11-12 of this report.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories – governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of government's near-term financing decisions. Both the governmental funds balance sheet and the governmental statements of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains three governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, sales tax, and capital projects funds, all of which are considered to be major funds. The basic governmental funds financial statements can be found on pages 14 and 16.

Propriety Funds – The City maintains only one type of propriety fund called the enterprise fund, which is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its electric, water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail and additional information such as cash flows. The proprietary fund financial statements provide information for the electric, water and sewer operations and is considered to be a major fund of the City. The basic proprietary fund financial statements can be found on pages 18 through 21 of this report.

City of Winnfield, Louisiana

**Management's Discussion and Analysis (MD&A)
June 30, 2004**

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 40.

The City as a Whole

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Winnfield, assets exceeded liabilities by \$14,062,546 as of June 30, 2004.

The largest portion of the City's net assets (85%) reflects its investments in capital assets (e.g., land, building, machinery and equipment, and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets, themselves, cannot be used to liquidate these liabilities. The following table provides a summary of the City's net assets:

**City of Winnfield's Net Assets
As of June 30, 2004**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and other assets	\$ 1,558,757	\$ 2,588,915	\$ 4,147,672
Capital Assets	<u>3,765,940</u>	<u>8,659,059</u>	<u>12,424,999</u>
Total Assets	<u>5,324,697</u>	<u>11,247,974</u>	<u>16,572,671</u>
Long term liabilities	145,101	713,338	858,439
Other liabilities	<u>264,441</u>	<u>1,387,245</u>	<u>1,651,686</u>
Total Liabilities	<u>409,542</u>	<u>2,100,583</u>	<u>2,510,125</u>
Net Assets:			
Invested in capital assets, Net of related debt	3,765,940	8,165,533	11,931,473
Unrestricted	<u>1,149,215</u>	<u>981,858</u>	<u>2,131,073</u>
Total Net Assets	<u>\$ 4,915,155</u>	<u>\$ 9,147,391</u>	<u>\$ 14,062,546</u>

The following table provides a summary of the City's operations for year ended June 30, 2004. As of June 30, 2004, the City is able to report positive balances in all three categories of net assets, both for the government, as a whole, as well as for its separate governmental and business-type activities.

City of Winnfield, Louisiana

**Management's Discussion and Analysis (MD&A)
June 30, 2004**

**City of Winnfield's Changes in Net Assets
For the Year Ended June 30, 2004**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program Revenues:			
Fees, fines and charges for services	\$ 382,212	\$ 7,178,445	\$ 7,560,657
Operating grants and Contributions	85,506	775,835	861,341
Capital grants and Contributions	473,527	529,412	1,002,939
General Revenues:			
Ad valorem taxes	119,798	0	119,798
Sales and use tax	1,108,185	0	1,108,185
Franchise fees	51,739	0	51,739
Licenses and permits	203,923	0	203,923
Interest income	19,857	16,650	36,507
Grants and contributions	192,870	0	192,870
Miscellaneous	<u>2,577</u>	<u>11,434</u>	<u>14,011</u>
Total Revenues	<u>2,640,194</u>	<u>8,511,776</u>	<u>11,151,970</u>
Expenses:			
General government	579,511	0	579,511
Public safety	1,372,008	0	1,372,008
Streets	518,369	0	518,369
Motor Pool	29,382	0	29,382
Sanitation	449,690	0	449,690
Recreation	248,718	0	248,718
Economic development	162,390	0	162,390
Interest on long-term debt	0	28,689	28,689
Electric, water and sewer	<u>0</u>	<u>6,976,903</u>	<u>6,976,903</u>
Total Expenses	<u>3,360,068</u>	<u>7,005,592</u>	<u>10,365,660</u>
Increases (Decreases) in			
Net Assets before Transfers	(719,874)	1,506,184	786,310
Transfers	<u>1,173,697</u>	<u>(1,173,697)</u>	<u>0</u>
Increase in net assets	453,823	332,487	786,310
Net assets – July 1, 2003	<u>4,461,332</u>	<u>8,814,904</u>	<u>13,276,236</u>
Net assets – June 30, 2004	<u>\$ 4,915,155</u>	<u>\$ 9,147,391</u>	<u>\$14,062,546</u>

City of Winnfield, Louisiana

Management's Discussion and Analysis (MD&A)
June 30, 2004

Financial Analysis of the City's Funds

Governmental Funds – At the end of the current fiscal year, the City of Winnfield's governmental funds reported combined ending fund balances of \$1,294,316. All of these balances are considered unreserved.

General Fund Budgetary Highlights – During the year, the City made revisions to the original appropriations approved by the City Council. These changes were made to reflect additional revenues and expenses in the various funds, and to account for the receipt of various state and federal grants.

Capital Assets

The City of Winnfield's investment in capital assets for its governmental and business-type activities as of June 30, 2004, amounts to \$12,424,999 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, trucks and vehicles, and construction in progress.

Major capital asset events during the current fiscal year included the following:

- The purchase of a new fire truck
- Improvements made to the water system
- Improvements made at the fairgrounds
- The purchase of replacement vehicles for the Police Department

Capital Assets at Year-end
Net of Accumulated Depreciation
As of June 30, 2004

	Governmental Activities	Business-Type Activities	Total
Land	\$ 356,194	\$ 5,000	\$ 361,194
Construction in progress	303,114	654,051	957,165
Buildings and improvements	2,446,965	8,493	2,455,458
Machinery and equipment	153,533	34,179	187,712
Utility system	0	7,813,789	7,813,789
Office equipment and furniture	20,978	0	20,978
Trucks and vehicles	485,156	143,557	628,713
Total	<u>\$3,765,940</u>	<u>\$ 8,659,069</u>	<u>\$12,425,009</u>

City of Winnfield, Louisiana

Management's Discussion and Analysis (MD&A) June 30, 2004

Debt Administration

At the end of the current fiscal year, the City of Winnfield had total notes payable of \$493,526. All of this debt relates to the business-type activities (the enterprise fund) of the City. Of this amount, \$470,810 represents a note payable on the 2001 water clarification project. This note is paid from a special water rate assessment and is scheduled to be paid off during 2010. The remaining balance of \$22,716 represents a note payable on a sewer vacuum truck. This note is scheduled to be paid off during 2005.

Economic Factors and Next Year's Budgets and Rates

Due to the fact that general fund revenues are not expected to increase significantly in the near future, the general fund is dependent upon transfers from the utility fund. The 2004-05 utility fund operations are budgeted to produce surplus cash flows; however, these funds have been declining in the past few years. As these excess funds continue to decrease, the City may be forced to seek new revenues in order to meet budget requirements without decreasing services provided.

Contacting the City's Financial Management

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the City Clerk, at P. O. Box 509, Winnfield, Louisiana, 71483, or call (318) 628-3939.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by GASB. The sets of financial statements are as follows:

Government-wide Financial Statements (GWFS)

Fund Financial Statements (FFS):

Governmental Fund

Proprietary Funds

In addition, the notes to the basic financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

CITY OF WINNFIELD, LOUISIANA
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2004

	<u>Government Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash & Cash Equivalents	\$ 909,193	\$ 616,696	\$ 1,525,889
Time Deposits	80,828	12,995	93,823
Account Receivables:			
Utility Billings		1,098,842	1,098,842
Intergovernmental	361,269	378,180	739,449
Other	26,025	2,069	28,094
Note Receivables	180,000		180,000
Inventory, at cost		139,340	139,340
Prepaid Items	1,442		1,442
Total Current Assets	<u>1,558,757</u>	<u>2,248,122</u>	<u>3,806,879</u>
Noncurrent Assets:			
Restricted Assets:			
Customer Deposits:			
Cash & Cash Equivalents		93,993	93,993
Investments		242,000	242,000
Capital Assets, Net of Accumulated Depreciation	3,765,940	8,659,059	12,424,999
Other Assets		4,800	4,800
Total Noncurrent Assets	<u>3,765,940</u>	<u>8,999,852</u>	<u>12,765,792</u>
TOTAL ASSETS	<u>5,324,697</u>	<u>11,247,974</u>	<u>16,572,671</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	187,759	1,223,994	1,411,753
Accrued Expenses	90,008	62,271	152,279
Due to Other Funds	(13,326)	13,326	0
Current Portion of Notes Payable		87,654	87,654
Total Current Liabilities	<u>264,441</u>	<u>1,387,245</u>	<u>1,651,686</u>
Noncurrent Liabilities:			
Payable from Restricted Assets:			
Customer Deposits Payable		307,466	307,466
Installment Notes Payable		405,872	405,872
Compensated Absences	145,101		145,101
Total Noncurrent Liabilities	<u>145,101</u>	<u>713,338</u>	<u>858,439</u>
TOTAL LIABILITIES	<u>409,542</u>	<u>2,100,583</u>	<u>2,510,125</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,765,940	8,165,533	11,931,473
Unrestricted	1,149,215	981,858	2,131,073
TOTAL NET ASSETS	<u>\$ 4,915,155</u>	<u>\$ 9,147,391</u>	<u>\$ 14,062,546</u>

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

CITY OF WINNFIELD, LOUISIANA
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Program Activities	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 579,511	\$ 12,211	\$ -	\$ 303,114	\$ (264,186)	\$ -	\$ (264,186)
Public Safety	1,372,008	135,171	43,818	10,413	(1,182,606)	-	(1,182,606)
Streets	518,369	180	8,688	-	(509,501)	-	(509,501)
Motor Pool	29,382	-	-	-	(29,382)	-	(29,382)
Sanitation	449,690	210,426	-	-	(239,264)	-	(239,264)
Recreation	248,718	24,224	33,000	80,000	(111,494)	-	(111,494)
Economic Development	162,390	-	-	80,000	(82,390)	-	(82,390)
Total Governmental Activities	3,360,068	382,212	85,506	473,527	(2,418,823)	-	(2,418,823)
Business-Type Activities:							
Utilities Administration	312,555	-	-	-	-	(312,555)	(312,555)
Electric	5,554,119	6,421,149	775,835	-	-	1,642,865	1,642,865
Water	631,340	551,644	-	529,412	-	449,716	449,716
Sewer	478,889	205,652	-	-	-	(273,237)	(273,237)
Interest on Long-term Debt	28,689	-	-	-	-	(28,689)	(28,689)
Total Business-Type Activities	7,005,592	7,178,445	775,835	529,412	-	1,478,100	1,478,100
Total Government	\$ 10,365,660	\$ 7,560,657	\$ 861,341	\$ 1,002,939	(2,418,823)	1,478,100	(940,723)

General Revenues:

Taxes:

Ad Valorem	119,798	-	119,798
Sales & Use	1,108,185	-	1,108,185
Franchise	51,739	-	51,739
Licenses & Permits	203,923	-	203,923
Grants & Contributions	192,870	-	192,870
Interest Income	19,857	16,650	36,507
Miscellaneous	2,577	11,434	14,011
Transfers	1,173,697	(1,173,697)	0
Total General Revenues & Transfers	2,872,646	(1,145,613)	1,727,033

Change in Net Assets	453,823	332,487	786,310
Net Assets at Beginning of Year	4,461,332	8,814,904	13,276,236
Net Assets at End of Year	<u>\$ 4,915,155</u>	<u>\$ 9,147,391</u>	<u>\$ 14,062,546</u>

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

FUND FINANCIAL STATEMENTS (FFS)

CITY OF WINNFELD, LOUISIANA
BALANCE SHEET--GOVERNMENTAL FUNDS
JUNE 30, 2004

	Major Funds			Total Governmental Funds
	General Fund	Special Revenue Sales Tax Fund	Capital Projects LCDBG Water Fund	
ASSETS				
Cash & Cash Equivalents	\$ 195,191	\$ 714,002	\$ -	\$ 909,193
Time Deposits	80,828			80,828
Account Receivables:				
Intergovernmental	163,545	156,346	41,378	361,269
Other	26,025			26,025
Due from Other Funds	8,884	39,139	11,150	59,173
Note Receivables	180,000			180,000
Prepaid Items	1,442			1,442
TOTAL ASSETS	<u>\$ 655,915</u>	<u>\$ 909,487</u>	<u>\$ 52,528</u>	<u>\$ 1,617,930</u>
LIABILITIES				
Accounts Payable	\$ 118,682	\$ 16,549	\$ 52,528	\$ 187,759
Accrued Expenses	90,008			90,008
Due to Other Funds	29,787	16,060		45,847
TOTAL LIABILITIES	<u>238,477</u>	<u>32,609</u>	<u>52,528</u>	<u>323,614</u>
FUND BALANCES				
Unreserved	289,776	876,878		1,166,654
Reserved	127,662			127,662
TOTAL FUND BALANCES	<u>417,438</u>	<u>876,878</u>	<u>0</u>	<u>1,294,316</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 655,915</u>	<u>\$ 909,487</u>	<u>\$ 52,528</u>	<u>\$ 1,617,930</u>

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

CITY OF WINNFIELD, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004

Total Fund Balances of the Governmental Funds	\$ 1,294,316
<i>Amounts reported for Governmental Activities</i> in the Statement of Net Assets are different because:	
Capital Assets used in Governmental Activities are not current financial resources and, therefore, are not reported in the Governmental Funds Balance Sheet--	
Capital Assets	5,889,991
Less: Accumulated Depreciation	(2,124,051)
Long-term Liabilities are not due and payable in the current period and, therefore, are not reported in the Governmental Funds Balance Sheet--	
Accrued Compensated Absences	<u>(145,101)</u>
Net Assets of Governmental Activities	<u>\$ 4,915,155</u>

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

CITY OF WINNFIELD, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Major Funds			Total Governmental Funds
	General Fund	Special Revenue Sales Tax Fund	Capital Projects LCDBG Water Fund	
REVENUES:				
Taxes	\$ 197,887	\$ 1,084,392		\$ 1,282,279
Licenses & Permits	209,954			209,954
Intergovernmental Revenues	704,125		529,412	1,233,537
Charges for Services	353,986			353,986
Fines	8,671			8,671
Interest	9,590	3,682		13,272
Miscellaneous	17,906			17,906
Total Revenues	<u>1,502,119</u>	<u>1,088,074</u>	<u>529,412</u>	<u>3,119,605</u>
EXPENDITURES:				
Current:				
General Government	503,685			503,685
Public Safety:				
Police	950,466			950,466
Fire	624,890			624,890
Animal Shelter	27,610			27,610
Collection & Administration		52,802	10,395	63,197
Streets, Drainage & Sidewalks	314,866	177,987		492,853
Motor Pool	28,587			28,587
Sanitation & Sanitary Landfill	200,399	215,627		416,026
Recreation	221,398			221,398
Economic Development	144,950			144,950
Capital Outlay	373,433	17,448	540,562	931,443
Total Expenditures	<u>3,390,284</u>	<u>463,864</u>	<u>550,957</u>	<u>4,405,105</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,888,165)</u>	<u>624,210</u>	<u>(21,545)</u>	<u>(1,285,500)</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	1,694,055		21,545	1,715,600
Operating Transfers Out		(520,357)		(520,357)
Total Other Financing Sources (Uses)	<u>1,694,055</u>	<u>(520,357)</u>	<u>21,545</u>	<u>1,195,243</u>
EXCESS (DEFICIENCY) OF REVENUES & OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES & OTHER FINANCING USES	<u>(194,110)</u>	<u>103,853</u>	<u>0</u>	<u>(90,257)</u>
FUND BALANCE - Beginning of Year	<u>611,548</u>	<u>773,025</u>	<u>0</u>	<u>1,384,573</u>
FUND BALANCE - End of Year	<u>\$ 417,438</u>	<u>\$ 876,878</u>	<u>\$ -</u>	<u>\$ 1,294,316</u>

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

**CITY OF WINNFELD, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004**

Net Change in Fund Balance - Governmental Funds \$ (90,257)

Amounts reported for Governmental Activities
in the Statement of Net Assets are different because:

Governmental Funds report Capital Outlays as expenditures.
However, in the Statement of Activities, the cost of these
assets is allocated over their estimated useful lives as
depreciation expense. The cost of capital assets recorded
in the current period are 780,833

Depreciation expense on capital assets is reported in the
Government-wide financial statements, but they do not
require the use of current financial resources and are not
reported in the Fund Financial Statements. Current year
depreciation expense is (209,265)

Payments made on Long-term Debt are shown as
expenditures in the Governmental Funds, but the payments
reduce Long-term Liabilities in the Statement of Net Assets.

Accrued Compensated Absences (27,488)

Net Assets of Governmental Activities \$ 453,823

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

CITY OF WINNFIELD, LOUISIANA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2004

ASSETS

Current Assets:

Cash & Cash Equivalents	\$ 616,696
Time Deposits	12,995
Receivables:	
Utility Billings	1,098,842
Intergovernmental	378,180
Other	2,069
Inventory, at cost	139,340
Total Current Assets	<u>2,248,122</u>

Noncurrent Assets:

Restricted Assets:

Customer Deposits:	
Cash & Cash Equivalents	93,993
Investments	242,000
Capital Assets, Net of Accumulated Depreciation	8,659,059
Other Assets	4,800
Total Noncurrent Assets	<u>8,999,852</u>

TOTAL ASSETS

11,247,974

LIABILITIES

Current Liabilities:

Accounts Payable	1,223,994
Accrued Expenses	62,271
Due to Other Funds	13,326
Current Portion of Notes Payable	87,654
Total Current Liabilities	<u>1,387,245</u>

Noncurrent Liabilities:

Payable from Restricted Assets:	
Customer Deposits Payable	307,466
Installment Notes Payable	405,872
Total Noncurrent Liabilities	<u>713,338</u>

TOTAL LIABILITIES

2,100,583

NET ASSETS

Invested in Capital Assets, Net of Related Debt	8,165,533
Unrestricted	981,858

TOTAL NET ASSETS

\$ 9,147,391

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

CITY OF WINNFIELD, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2004

OPERATING REVENUES:

Charges for Services:	
Electric Department	\$ 6,275,828
Water Department	551,644
Sewer Department	205,652
Miscellaneous	145,321
Total Operating Income	<u>7,178,445</u>

OPERATING EXPENSES:

Electric Department	5,426,182
Water Department	509,171
Sewer Department	316,947
Depreciation	412,048
General and Administrative	312,555
Total Operating Expenses	<u>6,976,903</u>

OPERATING INCOME 201,542

NONOPERATING REVENUES (EXPENSES):

Interest Income	16,650
Other Nonoperating Income	11,434
Intergovernmental Income	775,835
Interest Expense	(28,689)
Total Nonoperating Revenues (Expenses)	<u>775,230</u>

INCOME BEFORE CONTRIBUTIONS AND TRANSFERS 976,772

CONTRIBUTIONS AND TRANSFERS

Capital Contributions from Other Funds	550,957
Transfers In	498,813
Transfers (Out)	(1,694,055)
Total Contributions Transfers	<u>(644,285)</u>

CHANGE IN UNRESERVED NET ASSETS 332,487

TOTAL UNRESERVED NET ASSETS - BEGINNING 8,814,904

TOTAL UNRESERVED NET ASSETS - ENDING \$ 9,147,391

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

**CITY OF WINNFIELD, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2004**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 7,197,684
Cash Received from Customer Deposits (Net of Refunds)	7,217
Cash Payments to Suppliers for Goods and Services	(5,530,177)
Cash Payments to Employees	(624,570)
Cash Payments on Interfund Borrowings	(82,762)
Net Cash Provided by Operating Activities	<u>967,392</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Net Transfers from Other Funds	498,813
Net Transfers to Other Funds	(1,694,055)
Net Cash Used by Non-capital Financing Activities	<u>(1,195,242)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition & Construction of Capital Assets	(593,771)
Intergovernmental Revenue	461,008
Principal Paid on Capital Debt	(98,140)
Interest Paid on Capital Debt	(28,689)
Contributed Capital	550,957
Net Cash Used by Capital and Related Financing Activities	<u>291,365</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Income	16,650
Net Cash Provided by Investing Activities	<u>16,650</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	80,165
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>630,524</u>
CASH AND CASH EQUIVALENTS - ENDING OF YEAR	<u><u>\$ 710,689</u></u>

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

(Continued)

CITY OF WINNFIELD, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2004

**RECONCILIATION OF INCOME FROM OPERATIONS
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Income From Operations	\$ 201,542
------------------------	------------

**ADJUSTMENTS TO RECONCILE INCOME FOM OPERATIONS TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

Depreciation	412,048
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	57,067
Decrease in Inventory	11,963
Increase in Accounts Payable	378,229
(Decrease) in Accrued Expenses	(17,912)
Increase in Customer Deposits-Net of Refunds	7,217
(Decrease) in Due to Other Funds	(82,762)
Net Cash Provided by Operating Activities	<u>\$ 967,392</u>

RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS:

Current Assets:	
Cash and Cash Equivalents	\$ 616,696
Restricted Assets:	
Cash and Cash Equivalents	93,993
Total Cash and Cash Equivalents	<u>\$ 710,689</u>

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

(Concluded)

NOTES TO FINANCIAL STATEMENTS

CITY OF WINNFIELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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, streets, sanitation, recreation and parks, economic development, utilities, and general administrative services.

1. Summary of Significant Accounting Policies

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.

A. 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.
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.

(Continued)

CITY OF WINNFIELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Based on the application of these criteria, the financial statements of the City of Winnfield, Louisiana, consist only of the funds 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 Marshal, 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 Marshal -

The Winnfield City Marshal was created under the authority of Chapter 7 of Title 13 of the Louisiana Revised Statutes. The marshal is the executive officer of the court and executes the orders and mandates of the city court. The marshal 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 Marshal should not be included in the reporting entity:

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

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

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

(Continued)

CITY OF WINNFIELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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.

B. Basis of Presentation

Government-Wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

Fund financial statements of the City are organized into funds, each of which is considered a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts

(Continued)

CITY OF WINNFIELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

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

The funds of the City are described below:

Governmental Funds

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 that are legally restricted to expenditures for certain 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

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

(Continued)

CITY OF WINNFELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; whereas, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for the proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled utility services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. As a general guideline, the City considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred. The revenues susceptible to accrual are ad valorem taxes, franchise taxes, sales taxes, interest income, intergovernmental revenues, and charges for services. All other governmental fund revenues are recognized when received.

D. 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.

(Continued)

CITY OF WINNFIELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget 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. Budgeted amounts are as originally adopted or as amended by the Board of Alderman.

E. Assets, Liabilities, and Equity

Cash and Cash Equivalents

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit with an original maturity of three months or less.

Investments

Investments in the proprietary fund represent purchases of securities backed by the full faith and credit of the United States Government.

Receivables and Payables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Likewise payables consist of all expenditures due at year-end and not yet paid.

In the fund financial statements, material receivables in governmental funds include intergovernmental receivables and sales tax revenue accruals. In the proprietary fund the major

(Continued)

**CITY OF WINNFIELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

receivable is customer utility billings. Payables in governmental funds and proprietary funds include expenditure accruals for goods and services received by year-end, but not yet paid for.

During the course of operations, numerous transactions occur between individual funds to account for the disposition of collections. Any resulting receivables and payables are classified in due from other funds and due to other funds on the balance sheet

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.

Capital Assets

Capital Assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City maintains a threshold level of \$500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	40-50
Electrical system	20-40
Water system	25-40
Sewer system	40
Machinery and equipment	3-20
Office, equipment, and furniture	5-20
Vehicles	5-10

(Continued)

CITY OF WINNFIELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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:

<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.

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 liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Equity Classifications

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

- a. Invested in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets.”

(Continued)

**CITY OF WINNFIELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. They may also affect the reported amounts of revenues and expenses of proprietary funds during the reporting period. Actual results could differ from those estimates.

Report Classification

Certain previously reported amounts for the year ended June 30, 2003 have been reclassified to conform to the June 30, 2004 classifications.

2. Changes in Accounting Principles

For the year ended June 30, 2004, the City has implemented GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. GASB Statement No. 34 creates new basic financial statements for reporting on the City's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting, and fund financial statements which present information for individual major funds rather than by fund type which has been the mode of presentation in previously issued financial statements. The City also implemented GASB Statement No. 38, *Certain Financial Statement Disclosures*, and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

The implementation of GASB Statement No. 34 caused the opening fund balance at June 30, 2003 to be restated in terms of "net assets" as follows:

Total fund balances—Governmental Funds		
At June 30, 2003		\$1,384,573
Add: Cost of capital assets at June 30, 2003	5,109,158	
Less: Accumulated depreciation at June 30, 2003	<u>(1,914,786)</u>	3,194,372
Less: Long-term Obligations (Compensated Absences)		
At June 30, 2003		<u>(117,613)</u>
Net assets at June 30, 2003		<u>\$4,461,332</u>

(Continued)

CITY OF WINNFIELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

3. 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.

For the year ended June 30, 2004, taxes of 6.88 mills were levied for general corporate purposes against property with assessed valuations totaling \$16,588,930. Total taxes levied were \$114,132. Subsequent change orders adjusted the original levy to \$119,885.

Total taxes collected during the year ended June 30, 2004 were \$119,798. Delinquent taxes are collected by the sale of the related property; therefore, no allowance for uncollectible taxes is considered necessary.

4. Interfund Receivables and Payables

As of June 30, 2004, 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	\$ 8,884	\$ 29,787
Sales Tax Fund	39,139	16,060
Capital Projects Fund	11,150	-
Enterprise fund	<u>-</u>	<u>13,326</u>
Totals	<u>\$ 59,173</u>	<u>\$ 59,173</u>

5. Restricted Assets - Proprietary Fund

Restricted assets of the Enterprise Fund were comprised of the following at June 30, 2004:

Customer's Deposit Account	<u>\$ 335,993</u>
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(Continued)

CITY OF WINNFIELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

6. Capital Assets

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

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Governmental Activities:				
Land	\$ 356,194			\$ 356,194
Construction in progress	9,886	\$ 303,114	\$ 9,886	303,114
Buildings and improvements	3,260,866	130,205		3,391,071
Machinery and equipment	450,368	29,682		480,050
Office equipment and furniture	47,296			47,296
Trucks and vehicles	984,548	327,718		1,312,266
Totals at historical cost	5,109,158	790,719	9,886	5,889,991
Less accumulated depreciation				
Buildings and improvements	845,154	98,952		944,106
Machinery and equipment	296,132	30,385		326,517
Office equipment and furniture	23,321	2,997		26,318
Trucks and vehicles	750,179	76,931		827,110
Total accumulated depreciation	1,914,786	209,265	-	2,124,051
Governmental activities capital assets, net	\$ 3,194,372	\$ 581,454	\$ 9,886	\$ 3,765,940
Business-type Activities:				
Land	\$ 5,000			\$ 5,000
Construction in progress	60,280	\$ 593,771		654,051
Buildings and improvements	86,371			86,371
Electrical system	3,822,983			3,822,983
Water system	6,552,788			6,552,788
Sewer system	5,656,948			5,656,948
Machinery and equipment	590,577	399		590,976
Trucks and vehicles	478,489			478,489
Totals at historical cost	17,253,436	594,170	-	17,847,606
Less accumulated depreciation				
Buildings and improvements	77,069	809		77,878
Electrical system	2,481,221	108,518		2,589,739
Water system	3,005,093	114,171		3,119,264
Sewer system	2,369,469	140,458		2,509,927
Machinery and equipment	542,737	14,060		556,797
Trucks and vehicles	300,501	34,431		334,932
Total accumulated depreciation	8,776,090	412,447	-	9,188,537
Business-type capital assets, net	\$ 8,477,346	\$ 181,723	\$ -	\$ 8,659,069

(Continued)

CITY OF WINNFIELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

7. Long-Term Debt

Governmental Activities:

At June 30, 2004, there was no long-term debt related to governmental activities other than compensated absences.

Business-type Activities:

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, 2004, including interest payments of \$87,606 are as follows:

Year Ending <u>June 30</u>	<u>Total</u>
2005	\$113,670
2006	91,956
2007	91,956
2008	91,956
2009	91,956
2010 and After	<u>99,638</u>
Total	<u>\$581,132</u>

The following is a summary of changes in long-term debt for the year ended June 30, 2004:

	Balance <u>7-1-03</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6-30-04</u>
Governmental Activities:				
Compensated Absences	<u>\$117,614</u>	<u>\$ 27,487</u>	<u>\$ -</u>	<u>\$145,101</u>
Business-type Activities:				
Installment Notes Payable	<u>\$591,666</u>	<u>\$ -</u>	<u>\$ 98,140</u>	<u>\$493,526</u>

(Continued)

**CITY OF WINNFELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

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:

	<u>Percentages</u>
Streets, Drainage and Sidewalks	33%
Sewer Improvements	30%
Water Works	25%
Sanitary Landfill and Sanitation	10%
Motor Pool	<u>2%</u>
Totals	<u>100%</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 WINNFIELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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 11.0 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, 2004, 2003, and 2002 were \$100,025, \$73,899, and \$68,224, 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 15.25 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 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, 2004, 2003 and 2002 were \$63,712, \$34,825, and \$34,189, respectively, and were equal to the required contributions for each year.

(Continued)

CITY OF WINNFIELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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 21.0 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 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, 2004, 2003, and 2002 were \$33,535, \$17,653, and \$10,343 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.
3. Age fifty-five (55) upon attaining a total of at least twelve (12) years of creditable service as a judge of court officer.

(Continued)

CITY OF WINNFIELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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 2.5 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 15.8 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, 2004, 2003, and 2002 were \$379, \$338, 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, 2004, the City's cash and investments totaled \$1,955,705. Bank account balances at June 30, 2004, totaled \$1,767,109. Of the amounts held in commercial banks, \$264,575 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, 2004. 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
JUNE 30, 2004

	Category			Carrying Value	Market Value
	1	2	3		
Cash -					
Petty Cash	\$ 3,336	\$ 0	\$ 0	\$ 3,336	\$ 3,336
Demand Deposits	64,575	1,145,021	0	1,209,596	1,209,596
Certificates of Deposit	200,000	357,513	0	557,513	557,513
Investments-					
U. S. Government Securities	<u>242,000</u>	<u>0</u>	<u>0</u>	<u>242,000</u>	<u>242,000</u>
Total	<u>\$ 509,911</u>	<u>\$1,502,534</u>	<u>\$ 0</u>	<u>\$2,012,445</u>	<u>\$2,012,445</u>

11. Compensation of City Councilmen

A detail of compensation paid to individual councilmen for the year ended June 30, 2004 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, 2004.

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.

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.

(Continued)

**CITY OF WINNFIELD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Reserved for Prepaid Insurance - This reserve represents insurance expense for the next fiscal year paid in the fiscal year ended June 30, 2004, and recorded as a current asset. This amount is not available for future expenditure.

14. Economic Development Notes Receivable

At June 30, 2004, the City of Winnfield, Louisiana had an economic development notes receivable outstanding of \$ 180,000. These notes are repayable in monthly installments from three (3) to five (5) years, bear interest at 2% and are secured by mortgages on the subrecipients' assets. At June 30, 2004, no payments had been received under the note agreements. An allowance for doubtful accounts has not been provided or deemed necessary for these notes.

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. Fund Deficits

At June 30, 2004, no individual fund of the City had a fund deficit.

(Concluded)

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
 - Special Revenue Fund
 - Capital Projects Fund

**CITY OF WINNFIELD
BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND
YEAR ENDED JUNE 30, 2004**

REVENUES:	BUDGET			VARIANCE
	ORIGINAL	FINAL	ACTUAL	FAVORABLE (UNFAVORABLE)
Taxes	\$ 176,800	\$ 196,200	\$ 197,887	\$ 1,687
Licenses & Permits	182,510	186,000	209,954	23,954
Intergovernmental Revenues	1,117,580	831,630	704,125	(127,505)
Charges for Services	347,600	333,200	353,986	20,786
Fines	8,000	7,000	8,671	1,671
Interest	23,500	10,000	9,590	(410)
Miscellaneous	60,450	17,500	17,906	406
Total Revenues	<u>1,916,440</u>	<u>1,581,530</u>	<u>1,502,119</u>	<u>(79,411)</u>
EXPENDITURES:				
Current:				
General Government	654,270	513,900	503,685	10,215
Public Safety:				
Police	979,680	939,100	950,466	(11,366)
Fire	635,110	626,005	624,890	1,115
Animal Shelter	35,120	28,450	27,610	840
Streets, Drainage & Sidewalks	316,750	308,150	314,866	(6,716)
Motor Pool	33,320	28,800	28,587	213
Sanitation & Sanitary Landfill	306,810	162,900	200,399	(37,499)
Recreation	242,830	239,470	221,398	18,072
Economic Development	46,200	147,700	144,950	2,750
Capital Outlay	1,151,400	512,000	373,433	138,567
Total Expenditures	<u>4,401,490</u>	<u>3,506,475</u>	<u>3,390,284</u>	<u>116,191</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,485,050)</u>	<u>(1,924,945)</u>	<u>(1,888,165)</u>	<u>36,780</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	1,950,000	1,800,000	1,694,055	(105,945)
Operating Transfers Out				0
Total Other Financing Sources (Uses)	<u>1,950,000</u>	<u>1,800,000</u>	<u>1,694,055</u>	<u>(105,945)</u>
EXCESS (DEFICIENCY) OF REVENUES & OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES & OTHER FINANCING USES	<u>(535,050)</u>	<u>(124,945)</u>	<u>(194,110)</u>	<u>(69,165)</u>
FUND BALANCE - Beginning of Year	<u>611,548</u>	<u>611,548</u>	<u>611,548</u>	<u>0</u>
FUND BALANCE - End of Year	<u>\$ 76,498</u>	<u>\$ 486,603</u>	<u>\$ 417,438</u>	<u>\$ (69,165)</u>

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

**CITY OF WINNFIELD
BUDGETARY COMPARISON SCHEDULE**

**SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2004**

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
REVENUES:				
Taxes	\$ 950,000	\$ 990,000	\$ 1,084,392	\$ 94,392
Interest	7,000	3,500	3,682	182
Total Revenues	<u>957,000</u>	<u>993,500</u>	<u>1,088,074</u>	<u>94,574</u>
EXPENDITURES:				
Current:				
Collection & Administration	47,400	50,400	52,802	(2,402)
Streets, Drainage & Sidewalks	350,000	235,000	177,987	57,013
Sanitation & Sanitary Landfill	10,000	18,000	17,448	552
Capital Outlay	150,000	235,000	215,627	19,373
Total Expenditures	<u>557,400</u>	<u>538,400</u>	<u>463,864</u>	<u>74,536</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>399,600</u>	<u>455,100</u>	<u>624,210</u>	<u>169,110</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In				0
Operating Transfers Out	400,000	510,000	520,357	(10,357)
Total Other Financing Sources (Uses)	<u>400,000</u>	<u>510,000</u>	<u>520,357</u>	<u>(10,357)</u>
EXCESS (DEFICIENCY) OF REVENUES & OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES & OTHER FINANCING USES	(400)	(54,900)	103,853	158,753
FUND BALANCE - Beginning of Year	<u>773,025</u>	<u>773,025</u>	<u>773,025</u>	<u>0</u>
FUND BALANCE - End of Year	<u>\$ 772,625</u>	<u>\$ 718,125</u>	<u>\$ 876,878</u>	<u>\$ 158,753</u>

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

**CITY OF WINNFIELD
BUDGETARY COMPARISON SCHEDULE**

**CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2004**

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
REVENUES:				
Intergovernmental Revenues	\$ -	\$ 689,720	\$ 529,412	\$ (160,308)
Total Revenues	<u>0</u>	<u>689,720</u>	<u>529,412</u>	<u>(160,308)</u>
EXPENDITURES:				
Current:				
Collection & Administration		17,575	10,395	7,180
Capital Outlay		689,720	540,562	149,158
Total Expenditures	<u>0</u>	<u>707,295</u>	<u>550,957</u>	<u>156,338</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>0</u>	<u>(17,575)</u>	<u>(21,545)</u>	<u>(3,970)</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In		17,575	21,545	3,970
Operating Transfers Out				0
Total Other Financing Sources (Uses)	<u>0</u>	<u>17,575</u>	<u>21,545</u>	<u>3,970</u>
EXCESS (DEFICIENCY) OF REVENUES & OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES & OTHER FINANCING USES	0	0	0	0
FUND BALANCE - Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

WHITE & BATES

CERTIFIED PUBLIC ACCOUNTANTS

203 NORTH ABEL STREET

P. O. BOX 1397

WINNFIELD, LA 71483

(318) 628-3985

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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 basic financial statements of the City of Winnfield, Louisiana, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 21, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Winnfield's basic 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards*. This item is described in the accompanying Schedule of Findings and Questioned Costs as item 04-1.

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 basic 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 basic 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 of the Louisiana Legislative Auditor, management, others within the organization, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, the report is distributed by the Legislative Auditor as a public document.

White & Bates

White & Bates, CPA's
December 21, 2004
Winnfield, Louisiana

WHITE & BATES

CERTIFIED PUBLIC ACCOUNTANTS

203 NORTH ABEL STREET

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WINNFIELD, LA 71483

(318) 628-3985

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LAWRENCE J. WHITE, C.P.A.

STEVEN F. BATES, C.P.A.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Winnfield, Louisiana, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The City of Winnfield's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Winnfield's management. Our responsibility is to express an opinion on the City of Winnfield's compliance based on our audit.

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

In our opinion, the City of Winnfield complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

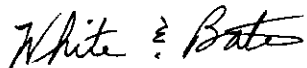
Internal Control Over Compliance

The management of the City of Winnfield is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Winnfield's internal control over compliance with requirements that could have a direct and material effect on a major federal

program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended solely for the information of the Louisiana Legislative Auditor, management, others within the organization, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, the report is distributed by the Legislative Auditor as a public document.

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

White & Bates, CPA's
December 21, 2004
Winnfield, Louisiana

**CITY OF WINNFIELD, LOUISIANA
SCHEDULE OF AUDIT FINDINGS
YEAR ENDED JUNE 30, 2004**

I. SUMMARY OF AUDIT RESULTS

1. An unqualified opinion was issued on the basic financial statements of the City of Winnfield as of and for the year ended June 30, 2004.
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. One instance of noncompliance material to the audited financial statements of the City of Winnfield was 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.
4. The audit did not disclose reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit did not disclose findings related to federal awards that are required to be reported under OMB Circular A-133.
7. The following program was a major program for the year ended June 30, 2004:

U. S. Department of Housing and Development (CFDA #14.219)
8. The City of Winnfield, Louisiana, did not qualify as a low-risk auditee.

II. FINDINGS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INSTANCES OF NONCOMPLIANCE

04-1 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, 2004 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.

(Continued)

**CITY OF WINNFIELD, LOUISIANA
SCHEDULE OF AUDIT FINDINGS
YEAR ENDED JUNE 30, 2004**

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 the employee has been instructed to schedule compensatory time off in order to reduce the employee's accumulated compensatory time balance below 480 hours. Subsequent to June 30, 2004, the employee has taken compensatory time off that has reduced his accumulated total.

(Concluded)

**CITY OF WINNFIELD, LOUISIANA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2004**

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.

Current Status - 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 were included in General Fund revenues during the year ended June 30, 2004. 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.

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.

(Continued)

Current Status -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 the employee has been instructed to schedule compensatory time off in order to reduce the employee's accumulated compensatory time balance below 480 hours. Subsequent to June 30, 2004, the employee has taken compensatory time off that has reduced his accumulated total.

MANAGEMENT LETTER

2003-1 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.

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 referred to above with the Winn Parish School Board expired on November 30, 2003. The City of Winnfield has entered into a new contract with the Winn Parish School Board that is effective December 1, 2003 and will continue in force until the expiration of the tax on November 30, 2013. The new contract addresses the collection costs noted above that are being paid to outside vendors.

(Concluded)

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 23, 2004

The City of Winnfield respectfully submits the following corrective action plan for the year ended June 30, 2004.

Name and address of independent public accounting firm: White & Bates
203 North Abel Street
Winnfield, LA 71483

Audit Period: Year ended June 30, 2004

The findings from the June 30, 2004 audit of the basic financial statements are discussed below:

COMPLIANCE

1. Accumulation of Compensatory Time

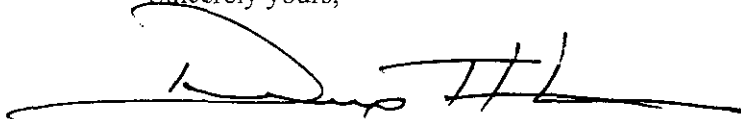
Finding - Chapter 2, Section 59 of the Code of Ordinances of the City of Winnfield states that no more than four hundred eighty (480) compensatory hours may be accumulated at any time by one employee. At June 30, 2004 the compensatory time records of the City of Winnfield indicated that one employee 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 has been instructed to schedule compensatory time off sufficient enough to reduce the employee's accumulated compensatory time balance below 480 hours. Subsequent to June 30, 2004, the employee has taken compensatory time off that has reduced the accumulated total. He will continue to be instructed to schedule compensatory time off until his total accumulated hours are at or below 480.

Sincerely yours,

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

Deano Thornton, Mayor
City of Winnfield

City of Winnfield, Louisiana
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2004

<u>Federal Grantor/Pass through Grantors</u>	<u>Federal CFDA Number</u>	<u>Grant ID Number</u>	<u>Program or Award Amount</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development Passed through La. Division of Administration – Community Development Block Grant	14.219	588653	\$529,412	\$529,412
Federal Aviation Authority: Airport Runways Grant	20.106	3-22-0063-03	<u>272,803</u>	<u>272,803</u>
TOTALS			<u>\$802,215</u>	<u>\$802,215</u>

City of Winnfield, Louisiana

**Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2004**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Winnfield, Louisiana and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the primary government financial statements.

Note 2. Subrecipients

The City did not provide any funding to subrecipients.