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TOWN OF JUNCTION CITY, LOUISIANA

GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002

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

Release Date 1/15/03

**TOWN OF JUNCTION CITY, LOUISIANA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2002**

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen of
Town of Junction City, Louisiana

We have audited the accompanying general purpose financial statements of the Town of Junction City, Louisiana (the Town), as of and for the year ended June 30, 2002, as listed in the accompanying Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the of the Town, as of June 30, 2002, and the results of its operations and cash flows of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2002, on our consideration of the Town of Junction City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information beginning on page 20 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Town of Junction City, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Warren & Brewer CPA₂ APAC

Ruston, Louisiana
December 19, 2002

TOWN OF JUNCTION CITY, LOUISIANA
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 2002

	<u>Governmental Fund Types</u>		<u>Proprietary</u>	<u>Account Group</u>	<u>TOTALS</u>
	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>Fund Types</u>	<u>GENERAL FIXED ASSETS</u>	<u>Memorandum Only</u>
			<u>ENTERPRISE</u>		
<u>ASSETS AND OTHER DEBITS</u>					
Cash and Cash Equivalents	\$ 19,648	\$ 12	\$ 25,943	\$ -	\$ 45,603
Investments	108,488	-	26,377	-	134,865
Accounts Receivable	2,062	-	10,375	-	12,437
Due From Other Funds	2,362	-	7,554	-	9,916
Restricted Assets:					
Cash and Investments	-	-	63,675	-	63,675
Fixed Assets (Net of Accumulated Depreciation)	-	-	809,318	314,857	1,124,175
Total Assets and Other Debits	\$ 132,560	\$ 12	\$ 943,242	\$ 314,857	\$ 1,390,671
<u>LIABILITIES AND FUND EQUITY</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 1,709	\$ -	\$ 3,784	\$ -	\$ 5,493
Due To Other Funds	7,554	12	2,350	-	9,916
Notes Payable	-	-	109,000	-	109,000
Accrued Interest	-	-	3,330	-	3,330
Customer Deposits	-	-	10,465	-	10,465
Total Liabilities	9,263	12	128,929	0	138,204
<u>Fund Equity</u>					
Contributed Capital - Grants	-	-	833,465	-	833,465
Contributed Capital - Other Funds	-	-	27,688	-	27,688
Investment in General Fixed Assets	-	-	-	314,857	314,857
Retained Earnings(Deficit):					
Reserved for Debt Retirements	-	-	53,210	-	53,210
Unreserved	-	-	(100,050)	-	(100,050)
Fund Balances:					
Unreserved and Undesignated	123,297	-	-	-	123,297
Total Fund Equity	123,297	0	814,313	314,857	1,252,467
Total Liabilities and Fund Equity	\$ 132,560	\$ 12	\$ 943,242	\$ 314,857	\$ 1,390,671

The accompanying notes are an integral part of this financial statement.

TOWN OF JUNCTION CITY, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Governmental Fund Types</u>		<u>TOTALS</u>
	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>Memorandum Only</u>
REVENUES			
Taxes	\$ 37,009	\$ -	\$ 37,009
Intergovernmental	15,000	457,768	472,768
Licenses and Permits	15,116	-	15,116
Fines and Forfeitures	5,024	-	5,024
Miscellaneous	4,877	-	4,877
Total Revenues	<u>77,026</u>	<u>457,768</u>	<u>534,794</u>
EXPENDITURES			
General Government	27,484	-	27,484
Public Safety	17,592	-	17,592
Capital Expenditures and Major Projects	31,897	-	31,897
Capital Projects	-	457,122	457,122
Total Expenditures	<u>76,973</u>	<u>457,122</u>	<u>534,095</u>
<u>Excess (Deficiency) of Revenues</u> <u>Over Expenditures</u>	53	646	699
<u>Other Financing Sources (Uses)</u>			
Operating Transfers - In	-	-	0
Operating Transfers - Out	-	-	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
<u>Excess (Deficiency) of Revenues and Other</u> <u>Financing Sources Over Expenditures and</u> <u>Other Financing Uses</u>	53	646	699
Fund Balances at Beginning of Year	<u>123,244</u>	<u>(646)</u>	<u>122,598</u>
Fund Balances at End of Year	<u>\$ 123,297</u>	<u>\$ 0</u>	<u>\$ 123,297</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF JUNCTION CITY, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES HAVING APPROPRIATED BUDGETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	General Fund		
	GAAP BASIS BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Taxes	\$ 30,000	\$ 37,009	\$ 7,009
Intergovernmental	15,000	15,000	0
Licenses and Permits	18,000	15,116	(2,884)
Fines and Forfeitures	8,000	5,024	(2,976)
Miscellaneous	5,729	4,877	(852)
Total Revenues	<u>76,729</u>	<u>77,026</u>	<u>297</u>
EXPENDITURES			
General Government	53,729	27,484	26,245
Public Safety	8,000	17,592	(9,592)
Capital Expenditures and Major Projects	32,000	31,897	103
Capital Projects	0	0	0
Total Expenditures	<u>93,729</u>	<u>76,973</u>	<u>16,756</u>
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	(17,000)	53	17,053
<u>Other Financing Sources (Uses)</u>			
Operating Transfers - In	0	0	0
Operating Transfers - Out	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
<u>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</u>	(17,000)	53	17,053
Fund Balances at Beginning of Year	<u>117,905</u>	<u>123,244</u>	<u>5,339</u>
Fund Balances at End of Year	<u>\$ 100,905</u>	<u>\$ 123,297</u>	<u>\$ 22,392</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF JUNCTION CITY, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES HAVING APPROPRIATED BUDGETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Capital Projects Fund</u>		
	<u>GAAP BASIS BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Taxes	\$ 0	\$ 0	\$ 0
Intergovernmental	540,628	457,768	(82,860)
Licenses and Permits	0	0	0
Fines and Forfeitures	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>540,628</u>	<u>457,768</u>	<u>(82,860)</u>
EXPENDITURES			
General Government	0	0	0
Public Safety	0	0	0
Capital Expenditures and Major Projects	0	0	0
Capital Projects	540,628	457,122	83,506
Total Expenditures	<u>540,628</u>	<u>457,122</u>	<u>83,506</u>
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	0	646	646
<u>Other Financing Sources (Uses)</u>			
Operating Transfers - In	0	0	0
Operating Transfers - Out	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
<u>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</u>	0	646	646
Fund Balances at Beginning of Year	<u>0</u>	<u>(646)</u>	<u>(646)</u>
Fund Balances at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF JUNCTION CITY, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES HAVING APPROPRIATED BUDGETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	TOTALS (Memorandum Only)		
	GAAP BASIS BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Taxes	\$ 30,000	\$ 37,009	\$ 7,009
Intergovernmental	555,628	472,768	(82,860)
Licenses and Permits	18,000	15,116	(2,884)
Fines and Forfeitures	8,000	5,024	(2,976)
Miscellaneous	5,729	4,877	(852)
Total Revenues	617,357	534,794	(82,563)
EXPENDITURES			
General Government	53,729	27,484	26,245
Public Safety	8,000	17,592	(9,592)
Capital Expenditures and Major Projects	32,000	31,897	103
Capital Projects	540,628	457,122	83,506
Total Expenditures	634,357	534,095	100,262
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	(17,000)	699	17,699
<u>Other Financing Sources (Uses)</u>			
Operating Transfers - In	0	0	0
Operating Transfers - Out	0	0	0
Total Other Financing Sources (Uses)	0	0	0
<u>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</u>	(17,000)	699	17,699
Fund Balances at Beginning of Year	117,905	122,598	4,693
Fund Balances at End of Year	\$ 100,905	\$ 123,297	\$ 22,392

The accompanying notes are an integral part of this financial statement.

TOWN OF JUNCTION CITY, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN RETAINED EARNINGS (DEFICIT) - ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

		<u>2002</u>
<u>OPERATING REVENUES</u>		
Charges for Services - Water Sales and Sewer Fees	\$	<u>105,662</u>
Total Operating Revenues		105,662
<u>OPERATING EXPENSES</u>		
Depreciation		25,144
Insurance		2,794
Interest		5,900
Licenses & Permits		1,849
Materials, Repairs & Supplies		6,500
Mowing		3,428
Other Administrative		2,579
Payroll Taxes		1,721
Salaries & Wages		22,581
Sample Collections/Testing		1,124
Utilities		<u>16,315</u>
Total Operating Expenses		<u>89,935</u>
Total Operating Income		15,727
<u>NONOPERATING REVENUES/(EXPENSES)</u>		
Interest Income		<u>2,029</u>
Total Nonoperating Income/(Expenses)		<u>2,029</u>
NET INCOME BEFORE OPERATING TRANSFERS		17,756
<u>OPERATING TRANSFERS</u>		
Operating Transfers - (In)/Out		<u>0</u>
NET INCOME		17,756
Retained Earnings (Deficit) at Beginning of Year		(64,596)
Retained Earnings (Deficit) at End of Year	\$	<u><u>(46,840)</u></u>

The accompanying notes are an integral part of this financial statement.

**TOWN OF JUNCTION CITY, LOUISIANA
STATEMENT OF CASH FLOWS - ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2002**

	2002
<u>Cash Flows From Operating Activities</u>	
Operating Income	\$ 15,727
<u>Adjustments to Reconcile Net Loss to Net Cash Provided (Used) by Operating Activities:</u>	
Depreciation	25,144
Increase in Accounts Receivable	(166)
Increase in Investments	(26,377)
Increase in Due From Other Funds	(3,082)
Decrease in Accounts Payable	(69)
Net Cash Provided (Used) by Operating Activities	11,177
<u>Cash Flows From Noncapital Financing Activities</u>	
Increase in Customer Deposits	900
Increase in Restricted Assets (Cash)	(1,680)
Net Cash Provided (Used) by Noncapital Financing Activities	(780)
<u>Cash Flows From Capital and Related Financing Activities</u>	
Increase in Contributed Capital	512,638
Increase in Property, Plant & Equipment	(513,224)
Principal Paid on Rural Development Notes	(9,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	(9,586)
<u>Cash Flows From Investing Activities</u>	
Interest Income	2,029
Net Cash Provided (Used) by Investing Activities	2,029
Net Increase (Decrease) in Cash and Cash Equivalents	2,840
Cash and Cash Equivalents at Beginning of Year	23,103
Cash and Cash Equivalents at End of Year	\$ 25,943

The accompanying notes are an integral part of this financial statement.

**THE TOWN OF JUNCTION CITY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

INTRODUCTION

The Town of Junction City, Louisiana (the Town) consists of an executive branch of government headed by a mayor and a legislative branch of government consisting of three aldermen. The Town's combined balance sheet includes the accounts of all the town's operations. The Town's major operations include police protection, garbage and trash collection, culture/recreation, highways, streets, and administrative services. In addition, the Town operates a Utility Enterprise Fund to provide water and sewerage services.

The following is a summary of certain significant accounting policies and practices:

Note 1 - Summary of Significant Accounting Policies

A. BASIS OF PRESENTATION

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

B. REPORTING ENTITY

As the municipal governing authority, for reporting purposes, the Town 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.

GASB Statement No. 14 established criteria for determining which component units should be considered part of the Town of Junction City, Louisiana 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 municipality to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.

**THE TOWN OF JUNCTION CITY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

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

Based on the previous criteria, the municipality has determined that there are no component units that are part of the reporting entity

C. FUND ACCOUNTING

The Town uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds of the Town are classified into two categories: governmental and proprietary. In turn, each category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Governmental Funds

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

1. General Fund--the general operating fund of the municipality and accounts for all financial resources, except those required to be accounted for in other funds.
2. Special revenue funds--account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
3. Capital projects funds--account for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental

**THE TOWN OF JUNCTION CITY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. Proprietary funds include:

1. Enterprise funds--account for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Account Groups

The following account group is not a "fund". It is concerned only with the measurement of financial position and is not involved with measurement of results of operations.

General Fixed Asset Account Group

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public Domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of fixed assets or materially extend their useful lives are not capitalized but are only recognized as a normal expenditure of the governmental funds.

D. TOTAL COLUMNS ON COMBINED STATEMENTS--OVERVIEW

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

**THE TOWN OF JUNCTION CITY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

E. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by all governmental funds. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town each year in November, and are billed to the taxpayers in December. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed to the extent collections are expected. The Town uses an outside party to bill its property taxes using the assessed values determined by the tax assessor of either Claiborne or Union Parish.

Federal and state grants are normally "expenditure driven", which means that the *Town does not earn, or is not entitled to, the grant funds until liability for the expenditure has been incurred.* Any amounts received in excess of actual expenditures/liabilities at year end is reflected as deferred revenue on the fund's balance sheet.

Interest earnings on time deposits are recognized as revenue when the time deposits have matured and the interest is available.

Substantially all other revenues are recognized when received by the Town.

Based on the above criteria, ad valorem taxes, federal and state grants, fees, charges, and commissions for services have been treated as susceptible to accrual.

Expenditures

Expenditures in the governmental funds are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Proprietary Funds

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid (and any other financing sources/uses) are recognized when the underlying events occur.

**THE TOWN OF JUNCTION CITY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

F. BUDGETS

The Town uses the following budget practices:

1. In May of each year, the town clerk submits to the board of aldermen a proposed operating budget for the fiscal year commencing the following July. The operating budget includes proposed expenditures and expenses and the means of financing them.
2. In June of each year, the budget is legally enacted through passage of ordinance. The public is invited to attend all meetings
3. The town clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures or expenses of any fund must be approved by the board of aldermen.

Budget comparison statements included in the accompanying financial statements include the original adopted budgets and all subsequent adopted amendments.

G. CASH AND CASH EQUIVALENTS

Under state law, the Town may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

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

H. INVESTMENTS

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

I. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

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

**THE TOWN OF JUNCTION CITY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

J. ADVANCES TO OTHER FUNDS

Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account, which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

K. BAD DEBTS

Uncollectible amounts for ad valorem taxes and utility receivables are generally not significant. As a result, the direct write-off method for recognizing bad debts is used. Under this method, the receivable is charged to expense when the account is deemed to be uncollectible.

L. FIXED ASSETS

Fixed assets of governmental funds are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized in the general fixed assets account group. Public domain or infrastructures are not capitalized. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost or fair market value at date of gift, if donated.

Fixed assets used in the proprietary fund operations are included on the balance sheet of the funds net of accumulated depreciation. Depreciation of all exhaustible fixed assets used by proprietary fund operations is charged as an expense against operations. Depreciation is computed using the straight-line method. The estimated useful lives are as follows:

Buildings	40 years
Improvements	40 –50 years
Equipment	5-10 years

M. COMPENSATED ABSENCES

The Town does not have a formal leave policy.

N. FUND EQUITY

Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, or other funds when such resources are restricted for the acquisition or construction of capital assets. Contributed capital is not amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources.

**THE TOWN OF JUNCTION CITY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

Reserves

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

Designated Fund Balances

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

O. TOTAL COLUMNS ON COMBINED STATEMENTS

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

Note 2 – Cash and Cash Equivalents

At June 30, 2002, the Town had cash and cash equivalents in the form of demand deposits in the amounts of \$45,603.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. At June 30, 2002, the Town had \$62,455 in demand deposits (bank statement balances) and investments of \$177,436 at a single financial institution. These deposits were secured with \$100,000 of federal deposit insurance and \$139,891 of pledged securities held by the custodial bank in the name of the fiscal agent bank. (GASB Category 3).

Note 3 – Investments

At June 30, 2002, the Town's investments consisted of certificates of deposit in the amounts of \$177,436. See Note 2.

Note 3 - Fund Deficits

At June 30, 2002, the Water and Sewer Enterprise Fund had a deficit balance of \$46,840.

Note 4 – Ad Valorem Taxes

Property taxes are assessed and collected on a calendar year. Property taxes attach as an enforceable lien on property as of January 1. Tax notices are usually mailed in November each year and become delinquent after December 31, of that year.

The ad valorem tax millage is 4.99 mills.

**THE TOWN OF JUNCTION CITY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

For the calendar year 2001, the 4.99 mills were levied on property with an assessed valuation totaling \$ 620,380. And were dedicated entirely for general purposes.

Note 5 – Accounts Receivable

Accounts Receivable at June 30, 2002, consisted of the following:

	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Capital Projects</u>	<u>Total</u>
Accounts Receivable	<u>\$ 2,062</u>	<u>\$10,375</u>	<u> -</u>	<u>\$12,437</u>

Note 6 – Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2002</u>
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Buildings & Improvements	149,040	29,147	-	178,187
Vehicles	33,147	-	-	33,147
Equipment	<u>70,773</u>	<u>2,750</u>	<u> -</u>	<u>73,523</u>
Totals	<u>\$ 282,960</u>	<u>\$ 31,897</u>	<u> -</u>	<u>\$ 314,857</u>

A summary of proprietary fund type property, plant, and equipment at June 30, 2002 follows:

Waterworks System and Treatment Facilities	\$ 1,064,472
Machinery and Equipment	<u>21,539</u>
Total	1,086,011
Less: Accumulated Depreciation	<u>(278,093)</u>
Net Depreciable Assets	807,918
Land	<u>1,400</u>
Total Property, Plant and Equipment	<u>\$ 809,318</u>

Note 7 – Restricted Assets

At June 30, 2002, restricted assets were either in the form of demand deposits or certificates of deposit. These assets represent amounts held as follows:

Utility Customer Deposits	\$ 10,465
Rural Development Loan Requirements	<u>53,210</u>
Totals	<u>\$ 63,675</u>

**THE TOWN OF JUNCTION CITY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

Note 8 - Pension and Retirement Plans

At June 30, 2002 there were no Town employees participating in any of the State retirement systems.

Note 9 – Postemployment Health Care Benefits

The Town does not provide medical coverage for its retirees; consequently there is no liability for postemployment health care benefits.

Note 10 – Long-Term Debt

Long-term debt consists a note payable to Rural Development that relates to the Town’s sewerage system. This note requires an annual payment due by December 31 of each year. The Interest rate is 5%. At June 30, 2002, the outstanding principal balance was \$109,000. The annual principal requirement is \$ 9,000. Interest paid during the fiscal year ended June 30, 2002 was \$5,900.

Note 11 – Interfund Receivables and Payables

Individual fund interfund receivables and payables at June 30, 2002, were as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 2,362	\$ 7,554
Capital Project Fund		12
Enterprise Fund	<u>7,554</u>	<u>2,350</u>
Total	<u>\$ 9,916</u>	<u>\$ 9,916</u>

Note 12 – Compensation of Mayor and Aldermen

The mayor and aldermen of the Town of Junction City, Louisiana, were paid the following amounts during the fiscal year ended June 30, 2002:

Mr. Preston Rogers, Mayor	\$4,800
Mr. Mike Griffith	588
Mr. Ronnie Daniels	588
Mr. Arnold Jones	<u>588</u>
Total	<u>\$6,564</u>

OTHER SUPPLEMENTAL INFORMATION

Warren & Brewer

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A Professional Accounting Corporation
112 East Carolina Avenue
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Board of Aldermen of
Town of Junction City, Louisiana

We have audited the general purpose financial statements of the Town of Junction City, Louisiana, (the Town) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 19, 2002. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 02-1, 02-2 and 02-3.

Honorable Mayor and Board of Aldermen of
Town of Junction City, Louisiana
Page 2

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of management of the Town of Junction City, Louisiana, the Louisiana Legislative Auditor, 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.

Wamen a Brewer CPA 2 APAC

Ruston, Louisiana
December 19, 2002

Warren & Brewer

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

Honorable Mayor and Board of Aldermen of
Town of Junction City, Louisiana

Compliance

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

We conducted our audit of compliance in accordance with 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's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town 's compliance with those requirements.

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

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town '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.

Honorable Mayor and Board of Aldermen of
Town of Junction City, Louisiana
Page 2

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 operations that we consider to be material weaknesses.

This report is intended solely for the information and use of management of the Town of Junction City, Louisiana, the Louisiana Legislative Auditor, 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.

Warren A Brewer CPA, APAC

Ruston, Louisiana
December 19, 2002

**TOWN OF JUNCTION CITY, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002**

We have audited the general purpose financial statements of the Town of Junction City, Louisiana as of and for the year ended June 30, 2002 and have issued our report thereon dated December 19, 2002. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2002, resulted in an unqualified opinion.

Section I - Summary of Auditor's Report

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control
Material Weaknesses yes no Reportable Conditions yes no

Compliance
Compliance material to financial statements
 yes no

B. Federal Awards –

Internal Control
Material Weaknesses yes no Reportable Conditions yes no

Type of Opinion on Compliance Unqualified Qualified
For Major Programs Disclaimer Adverse

Are their findings required to be reported in accordance with Circular A.133, Section .510(a)? Yes

C. Identification of Major Programs:

CFDA Number(s) 14.228 Name of Federal Program(or cluster)

Department of Housing and Urban Development-Community Planning and Development LCDBG-Comprehensive Development

Dollar threshold used to distinguish between Type A and Type B Programs
\$ 300,000

Is the auditee a "low-risk" auditee, as defined by OMB Circular a-133?
 yes no

**TOWN OF JUNCTION CITY, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002**

(Continued)

Section II – Financial Statement Findings

02-01 Internal Controls Over Receipts and Disbursements

Condition

The town clerk receives payments, post payments, and reconcile bank statements. These duties are incompatible for a proper internal control system of checks and balances.

Recommendation

The Town should separate incompatible duties of its staff. In view of the extremely small size of the staff, not all duties can be divided in a way that limits the risk of errors. Some duties can be performed by the aldermen, such as opening and reviewing the bank statements as they come in each month.

Current Status

The Town will take any suggestions under advisement in order to tighten internal control over incompatible duties.

02-02 Internal Controls Over Cash Receipts

Condition

It was noted during cash receipt testwork, that individual water and sewer fund payments could not be traced back to the specific deposit made by the Town. The clerk would gather the payment stubs from several days deposits to enter in the billing system at one time. It was also noted that the detail was not listed on the deposit slip.

Recommendation

The Town should provide a detail of customer payments made in a specific deposit. This would minimize the chance of errors in posting to customers accounts.

Current Status

The town clerk has already implemented a new procedure where payment stubs for each deposit are kept with a duplicate copy of the deposit slip. An adding machine tape totaling the stubs is also attached.

02-03 Internal Controls Over Customer Billing Adjustments

Condition

It was noted during inquiry that the town clerk and the water manager have authority to make adjustments to customer's bills. Since the town clerk receives payments, makes deposits, and posts activity to the billing system, more control is needed in the adjustments area.

**TOWN OF JUNCTION CITY, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002**

(Continued)

Recommendation

The Town should require that adjustments to customer bills be in writing, signed by the mayor as approval.

Current Status

The Town will take this recommendation under advisement.

**TOWN OF JUNCTION CITY, LOUISIANA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2002**

<u>Federal Grants/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Expenditures</u>
Department of Housing and Urban Development Community Planning and Development LCDBG - Comprehensive Development	14.228	107-900370	\$ 457,122
 <u>TOTAL FEDERAL AWARDS</u>			 <u>\$ 457,122</u>

**TOWN OF JUNCTION CITY, LOUISIANA
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

1. General

The Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Town of Junction City, Louisiana. The Town of Junction City's reporting entity is defined in Note 1 to the Town's financial statements. All federal award programs received directly from federal agencies, as well as federal awards passed through other government agencies, is included on the schedule.

2. Basis of Accounting

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the Town's general purpose financial statements. 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 basic financial statements.

**TOWN OF JUNCTION CITY, LOUISIANA
SUMMARY SCHEDULE OF PRIOR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002**

Internal Control and Compliance Material to the Financial Statements

01-1 Donations

Condition

A reading of the minutes for the year did indicate approval for a donation of \$400 to the Junction City Little League Light Fund.

Recommendation

The Town should not donate any thing of value to or for any person, public or private.

Current Status

Cleared.

01-2 Failure to Comply with Local Government Budget Act

Condition

Actual expenditures exceeded budgeted expenditures by \$16,114, or 37.5%.

Recommendation

The Town should analyze interim budget and actual comparisons and amend the budget as needed.

Current Status

Cleared.

Management Letter

No management letter was issued.

**TOWN OF JUNCTION CITY, LOUISIANA
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2002**

02-01 Internal Controls Over Receipts and Disbursements

Recommendation

The Town should separate incompatible duties of its staff. In view of the extremely small size of the staff, not all duties can be divided in a way that limits the risk of errors. Some duties can be performed by the aldermen, such as opening and reviewing the bank statements as they come in each month.

Response

The Town will take any suggestions under advisement in order to tighten internal control over incompatible duties.

02-02 Internal Controls Over Cash Receipts

Recommendation

The Town should provide a detail of customer payments made in a specific deposit. This would minimize the chance of errors in posting to customers accounts.

Response

The town clerk has already implemented a new procedure where payment stubs for each deposit are kept with a duplicate copy of the deposit slip. An adding machine tape totaling the stubs is also attached.

02-03 Internal Controls Over Customer Billing Adjustments

Recommendation

The Town should require that adjustments to customer bills be in writing, signed by the mayor as approval.

Current Status

The Town will take this recommendation under advisement.