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TOWN OF ROSELAND

Louisiana

ANNUAL FINANCIAL REPORT

December 31, 2004

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Release Date 6-29-05



LEE GRAY
CERTIFIED PUBLIC ACCOUNTANT

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ANNUAL FINANCIAL REPORT As of and for the Year Ended December 31, 2004

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TOWN OF ROSELAND

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor Charles Bracey and
Members of the Town Council
Town of Roseland
Roseland, Louisiana

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Roseland, Louisiana (Town) as of and for the year ended December 31, 2004, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my 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 Town of Roseland, Louisiana, as of December 31, 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 1 to the basic financial statements, the Town of Roseland adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*, Statement No. 37, *Basic Financial Statements - And Management's Discussion and Analysis - For State and Local Governments: Omnibus*, Statement No. 38, *Certain Financial Statement Note Disclosures*, and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of January 1, 2004. This results in a change in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 9, 2005, on my consideration of the Town of Roseland's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. 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 my audit.

Management's Discussion and Analysis on pages 4 through 11 and the budgetary comparison schedules on pages 44 through 46 are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Roseland's basic financial statements. The accompanying schedule of proprietary fund additional information is presented for purposes of additional analysis as required by the United States Department of Agriculture and is not a required part of the basic financial statements of the Town of Roseland, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Certified Public Accountant

June 9, 2005

REQUIRED SUPPLEMENTAL INFORMATION

(PART I)

TOWN OF ROSELAND

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and For the Year Ended December 31, 2004

Introduction

The Town of Roseland, Louisiana (the Town) is please to present its annual financial statements developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (GASB 34), and related standards.

This is the first year that the Town has presented its financial statements under the reporting model required by the Governmental Accounting Standards board Statement Number 34. Because this new reporting model changes significantly not only the presentation of financial data, but also the manner in which the information is recorded, prior year comparative information for this reporting period's MD&A has not been included.

The Town's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Town's financial activity, (c) identify changes in the Town's financial position, (d) identify any significant variations from the Town's financial plan, and (e) identify individual fund issues or concerns.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the notes to the financial statements and the other Required Supplemental Information (RSI) that is provided in addition to this Management's Discussion and Analysis.

Financial Highlights

- At December 31, 2004, the Town's assets exceeded its liabilities by \$2,921,784 (net assets). Of this amount, \$43,787 (unrestricted net assets) may be used to meet the Town's ongoing obligations to its citizens.
- At December 31, 2004, the Town's governmental funds reported combined ending fund balances of \$84,837. Of this amount, \$82,604 is available for spending at the Town's discretion (unreserved fund balances).
- At December 31, 2004, the Town's proprietary fund reported ending net assets of \$1,578,798. None of this amount is available for spending.

Overview of the Financial Statements

The financial statement focus is on both the Town as a whole and on the major individual funds. Both perspectives, government-wide and major funds, allow the user to address relevant questions, broaden a basis for comparison, and enhance the Town's accountability. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The MD&A is intended to serve as an introduction to the Town's basic financial statements, which consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

TOWN OF ROSELAND

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and For the Year Ended December 31, 2004

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business. Governmental and business-type activities are presented in separate columns along with a total column for the primary government.

The Statement of Net Assets presents information on the Town's assets and liabilities using the accrual basis of accounting, in a manner similar to the accounting used by private business enterprises. The difference between the assets and liabilities is reported as net assets. Over time, the increases or decreases in net assets and changes in the components of net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net assets changed during the most recent fiscal year, focusing on both the gross and net costs of various activities, both governmental and business-type, that are supported by the Town's general tax and other revenues. This is intended to summarize and simplify the reader's analysis of the cost of various governmental services and/or subsidy to various business-type activities.

In the government-wide financial statements, the Town's activities are divided into two types:

- **Governmental activities** - Most of the Town's basic services are reported here, including general government, public safety, and streets. These activities are financed primarily by property taxes, franchise taxes, sales taxes, and fines.
- **Business-type activities** - The Town charges a fee to customers to help it cover all of the cost of the services provided. The Town's water and sewer utility system is reported in this section.

The government-wide financial statements include the Town of Roseland, Louisiana (primary government) only and can be found on pages 13 through 14 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the Town's net assets for the current year. For more detailed information, see the Statement of Net Assets on page 13 of this report.

TOWN OF ROSELAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and For the Year Ended December 31, 2004

Town of Roseland's Net Assets			
	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Assets:			
Current and other assets	\$ 623,997	\$ 85,130	\$ 709,127
Capital assets, net	<u>824,897</u>	<u>2,189,470</u>	<u>3,014,367</u>
Total assets	<u>1,448,894</u>	<u>2,274,600</u>	<u>3,723,494</u>
Liabilities:			
Other liabilities	48,982	67,948	116,930
Long-term debt outstanding	<u>56,926</u>	<u>627,854</u>	<u>684,780</u>
Total liabilities	<u>105,908</u>	<u>695,802</u>	<u>801,710</u>
Net Assets:			
Invested in capital assets, net of related debt	767,971	1,553,264	2,321,235
Restricted	492,411	64,351	556,762
Unrestricted (Deficit)	<u>82,604</u>	<u>(38,817)</u>	<u>43,787</u>
Total net assets	<u>\$1,342,986</u>	<u>\$1,578,798</u>	<u>\$2,921,784</u>

Approximately 79.45% of the Town's net assets reflects its investment in capital assets (land, buildings, equipment, and improvements) net of any outstanding related debt used to acquire those capital assets. These capital assets are used to provide services to citizens and do not represent resources available for future spending. Although the Town'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 cannot be used to liquidate these liabilities.

Approximately 19.10% of the Town's net assets represents resources that are subject to external restriction on how they may be used. The Town's restricted net assets consist of a deferred contribution for the new water well and cash resources for debt service.

Approximately 1.45% of the Town's net assets are unrestricted and may be used to meet the Town's ongoing obligations to its citizens.

At the end of the current fiscal year, the Town was able to report positive balances in all three categories of net assets, both for the Town as a whole, as well for separate governmental and business-type activities.

TOWN OF ROSELAND

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and For the Year Ended December 31, 2004

In order to further understand what makes up the changes in net assets, the following table provides a summary of the results of the Town's activities for the current year. For more detailed information, see the Statement of Activities on page 14 of this report.

Town of Roseland's Changes in Net Assets

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 17,909	\$ 204,590	\$ 222,499
Operating grants and contributions	10,597	-	10,597
Capital grants and contributions	481,278	-	481,278
General revenues:			
Sales taxes	83,659	-	83,659
Ad valorem taxes	35,562	-	35,562
Franchise taxes	29,562	-	29,562
Interest income	-	117	117
Other revenues	<u>44,793</u>	<u>-</u>	<u>44,793</u>
Total revenues	<u>703,360</u>	<u>204,707</u>	<u>908,067</u>
Expenses:			
General and administrative	77,874	-	77,874
Police protection	108,896	-	108,896
Fire protection	40,050	-	40,050
Streets	15,638	-	15,638
Waterworks and sewer	<u>-</u>	<u>291,508</u>	<u>291,508</u>
Total Expenses	<u>242,458</u>	<u>291,508</u>	<u>533,966</u>
Change in Net Assets	460,902	(86,801)	374,101
Net assets, beginning	<u>882,084</u>	<u>1,665,599</u>	<u>2,547,683</u>
Net assets, ending	<u>\$1,342,986</u>	<u>\$1,578,798</u>	<u>\$2,921,784</u>

TOWN OF ROSELAND

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and For the Year Ended December 31, 2004

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 Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town uses two categories of funds to account for financial transactions; governmental funds and proprietary funds. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

Governmental funds are used to account for most of the Town's basic services and are reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds, and the balances that are left at year-end that are available for spending. These funds are reported using modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

The Town maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Protection Special Revenue Fund, and the LCDBG Capital Projects Fund, all of which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 15 and 17 of this report.

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 the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are located on pages 16 and 18.

Proprietary Funds – Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its Water and Sewer departments. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer departments that are considered to be major funds of the Town. The basic proprietary fund financial statements can be found on pages 19 through 21.

Fund Financial Analysis

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the year. The basic governmental fund financial statements can be found on pages 15 and 17 of this report.

TOWN OF ROSELAND

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and For the Year Ended December 31, 2004

At the end of the current year, the Town's governmental funds reported combined ending fund balances of \$84,837, all of which are unreserved and available for spending at the Town's discretion.

The general fund is the chief operating fund of the Town. At the end of the current year, the total fund balance for the general fund was \$49,002, all of which was unreserved. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Notes to the Financial Statements

The notes to the financial statements 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 42 of this report.

Required Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information. Required supplemental information can be found beginning on page 44 of this report.

1. Budgetary Comparison Schedule - The Town adopts an annual appropriated budget for the General fund and the Fire Protection Special Revenue fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance.
2. Budget Amendment items include:
 - A. Revenues
 - The budget for sales tax revenues was increased \$3,000 because sales tax revenues were more than estimated.
 - The budget for miscellaneous revenues was increased \$3,000 because the Town received a rural development grant.
 - B. Expenditures
 - The budget for general government budgeted expenditures was increased \$7,800 because the Town purchased a tractor and bush hog with a grant received during the year.

TOWN OF ROSELAND

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and For the Year Ended December 31, 2004

3. Analysis of Significant Budget Variances in the General Fund:

A. Revenues

Ad valorem taxes were \$10,262 greater than estimated due to 2004 being a reassessment year for property values.

Franchise taxes were \$4,562 greater than estimated due to increased cable franchise taxes.

Fines were \$6,891 less than budgeted due to lack of collection efforts.

B. Expenditures

Public safety - police expenditures were \$7,181 greater than budgeted due to salaries, retirement, auto repairs, and capital purchases being made more than originally anticipated.

Fire protection expenditures were \$3,145 greater than budgeted due to audit fees being allocated to this fund.

Other Supplemental Information

Utilities Revenue Bond information is shown on pages 48 through 50.

Capital Assets and Debt Administration

Capital Assets

As a Phase III government (a government with annual revenues of less than \$10 million), the Town elected not to retroactively report infrastructure assets prior to implementation of GASB 34. Historically, a government's largest group of assets, infrastructure assets (roads, bridges, street lighting, etc.) have not been reported nor depreciated in governmental financial statements. Beginning with the fiscal year ended December 31, 2004, these assets are now valued and reported within the governmental activities column of the government-wide financial statements.

The Town's investment in capital assets for its governmental and business-type activities as of December 31, 2004, amounts to \$3,014,367 (net of depreciation).

Major capital asset events during the current year included the purchase of a new tractor, a new computer for police, and a new police radar gun.

TOWN OF ROSELAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and For the Year Ended December 31, 2004

The following table provides a summary of the Town's capital assets (net of depreciation) at the end of the current year. For more detailed information, see Note 7 to the financial statements on pages 34 and 35 of this report.

Capital Assets (Net of Depreciation)			
	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Land	\$ 58,693	\$ 6,500	\$ 65,193
Buildings	524,366	7,570	531,936
Equipment	241,838	1,933	243,771
Water Utility System	-	624,532	624,532
Sewer Utility System	-	<u>1,548,935</u>	<u>1,548,935</u>
Capital Assets, Net	<u>\$824,897</u>	<u>\$2,189,470</u>	<u>\$3,014,367</u>

Long-Term Debt

At December 31, 2004, the Town had total debt outstanding of \$684,780. Of this total, \$20,300 is due within one year and \$664,480 is due in more than one year. The following table provides a summary of the Town's outstanding debt at the end of the current year. For more detailed information, see Notes 12 and 13 to the financial statements on pages 37 through 39 of this report.

Outstanding Debt			
	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Certificate of Indebtness	\$56,926	\$ -	\$ 56,926
Revenue Bonds	-	<u>627,854</u>	<u>627,854</u>
Total Outstanding Debt	<u>\$56,926</u>	<u>\$627,854</u>	<u>\$684,780</u>

Other Factors Affecting the Town

The Town of Roseland's management approach is conservative. When possible, the Mayor and Council attempt to provide services for the Town based on existing revenues and to finance long-term projects only when absolutely necessary. The Town also attempts to keep utility rates at the minimum required to cover the costs of utility system operation.

Contacting the Town's Financial Management

This financial report is designed to provide the Town's citizens, taxpayers, creditors, and investors with a general overview of the Town's finances and show the Town's accountability for the money it receives. Questions regarding this report or requests for additional financial information should be addressed to Stephanie Cutrer, Town Clerk, P.O. Box 302, Roseland, LA 70454, telephone (985) 748-9063.

BASIC FINANCIAL STATEMENTS

TOWN OF ROSELAND
STATEMENT OF NET ASSETS
December 31, 2004

	<u>Governmental Activities</u>	<u>Business-type Activity</u>	<u>Total</u>
<u>Assets</u>			
Cash	\$ 42,745	\$ 4,558	\$ 47,303
Receivables, net	32,970	33,030	66,000
LCDBG grant receivable	21,300	-	21,300
Internal balances	34,571	(34,571)	-
Restricted cash	2,233	82,113	84,346
Deferred contribution	490,178	-	490,178
Capital assets, net	<u>824,897</u>	<u>2,189,470</u>	<u>3,014,367</u>
Total assets	<u>1,448,894</u>	<u>2,274,600</u>	<u>3,723,494</u>
<u>Liabilities</u>			
Accounts payable	27,682	17,203	44,885
Retainage payable	21,300	-	21,300
Accrued liabilities	-	8,352	8,352
Utility customer deposits	-	42,393	42,393
Noncurrent liabilities:			
Due within one year	8,500	11,800	20,300
Due in more than one year	<u>48,426</u>	<u>616,054</u>	<u>664,480</u>
Total liabilities	<u>105,908</u>	<u>695,802</u>	<u>801,710</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	767,971	1,553,264	2,321,235
Restricted for:			
Capital projects	490,178	-	490,178
Debt service	2,233	64,351	66,584
Unrestricted (deficit)	<u>82,604</u>	<u>(38,817)</u>	<u>43,787</u>
Total Net Assets	<u>\$1,342,986</u>	<u>\$1,578,798</u>	<u>\$2,921,784</u>

The accompanying notes are an integral part of this statement.

TOWN OF ROSELAND

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues, and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 77,874	\$ -	\$ -	\$ -	\$ (77,874)	\$ -	\$ (77,874)
Public safety - police	108,896	13,109	10,597	-	(85,190)	-	(85,190)
Public safety - fire	40,050	4,800	-	-	(35,250)	-	(35,250)
Streets	15,638	-	-	11,250	(4,388)	-	(4,388)
LCDBG Water well	<u>-</u>	<u>-</u>	<u>-</u>	<u>470,028</u>	<u>470,028</u>	<u>-</u>	<u>470,028</u>
Total governmental activities	<u>242,458</u>	<u>17,909</u>	<u>10,597</u>	<u>481,278</u>	<u>267,326</u>	<u>-</u>	<u>267,326</u>
Business-type Activities:							
Waterworks and sewer	<u>291,508</u>	<u>204,590</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(86,918)</u>	<u>(86,918)</u>
Total business-type activity	<u>291,508</u>	<u>204,590</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(86,918)</u>	<u>(86,918)</u>
Total	<u>\$533,966</u>	<u>\$222,499</u>	<u>\$10,597</u>	<u>\$481,278</u>	<u>267,326</u>	<u>(86,918)</u>	<u>180,408</u>
General Revenues:							
Taxes:							
Property taxes					35,562	-	35,562
Franchise taxes					29,562	-	29,562
Sales taxes					83,659	-	83,659
Alcoholic beverage tax					1,474	-	1,474
Licenses and permits					35,061	-	35,061
2% Fire Insurance Rebate					4,670	-	4,670
Investment earnings					-	117	117
Gain on disposed assets					2,619	-	2,619
Miscellaneous					<u>969</u>	<u>-</u>	<u>969</u>
Total General Revenues					<u>193,576</u>	<u>117</u>	<u>193,693</u>
Change in Net Assets					460,902	(86,801)	374,101
Net assets - beginning					<u>882,084</u>	<u>1,665,599</u>	<u>2,547,683</u>
Net assets - ending					<u>\$1,342,986</u>	<u>\$1,578,798</u>	<u>\$2,921,784</u>

The accompanying notes are an integral part of this statement.

TOWN OF ROSELAND
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2004

	<u>General Fund</u>	<u>Fire Protection Special Revenue Fund</u>	<u>LCDBG Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash	\$ 6,232	\$36,503	\$ 10	\$ 42,745
Receivables, Net	21,217	11,753	-	32,970
Due from other funds-				
Fire Protection Fund	18,234	7,352	-	25,586
Waterworks Fund	34,571	-	-	34,571
Restricted assets - cash	-	2,233	-	2,233
Grant receivable	-	-	21,300	21,300
 Total Assets	 <u>\$80,254</u>	 <u>\$57,841</u>	 <u>\$21,310</u>	 <u>\$159,405</u>
<u>Liabilities</u>				
Accounts Payable	\$23,900	\$ 3,782	\$ -	\$ 27,682
Due to other funds -				
Due to Fire Protection	7,352	-	-	7,352
Due to General Fund	-	18,234	-	18,234
Retainage Payable	-	-	21,300	21,300
 Total Liabilities	 <u>31,252</u>	 <u>22,016</u>	 <u>21,300</u>	 <u>74,568</u>
<u>Fund Balance</u>				
Reserved for debt service	-	2,233	-	2,233
Unreserved	49,002	33,592	10	82,604
 Total Fund Balance	 <u>49,002</u>	 <u>35,825</u>	 <u>10</u>	 <u>84,837</u>
 Total Liabilities and Fund Balance	 <u>\$80,254</u>	 <u>\$57,841</u>	 <u>\$21,310</u>	 <u>\$159,405</u>

The accompanying notes are an integral part of this statement.

TOWN OF ROSELAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
December 31, 2004

Fund balances - total governmental funds \$ 84,837

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 1,315,113

In the statement of activities, only the gain on the disposed assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets disposed of. (38)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. (56,926)

Net assets of governmental activities \$1,342,986

The accompanying notes are an integral part of this statement.

TOWN OF ROSELAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2004

	<u>General Fund</u>	<u>Fire Protection Special Revenue Fund</u>	<u>LCDBG Fund</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>				
Taxes	\$126,927	\$21,856	\$ -	\$148,783
Licenses and permits	35,061	-	-	35,061
Intergovernmental	20,791	-	-	20,791
Fines and forfeitures	13,109	-	-	13,109
On behalf payments by state	7,200	-	-	7,200
Fire Protection Services	4,800	-	-	4,800
Grant - Federal	-	-	470,028	470,028
Miscellaneous	969	-	-	969
Total Revenues	<u>208,857</u>	<u>21,856</u>	<u>470,028</u>	<u>700,741</u>
<u>Expenditures</u>				
General government	60,552	-	-	60,552
Public safety - police	107,001	-	-	107,001
Public safety - fire	8,286	8,415	-	16,701
Streets	26,263	-	-	26,263
Principal & Interest	-	11,132	-	11,132
Construction in Progress	-	-	470,028	470,028
Total Expenditures	<u>202,102</u>	<u>19,547</u>	<u>470,028</u>	<u>691,677</u>
Excess of revenues over expenditures	<u>6,755</u>	<u>2,309</u>	<u>-</u>	<u>9,064</u>
<u>Other Financing Sources</u>				
Sale of capital assets	<u>2,657</u>	<u>-</u>	<u>-</u>	<u>2,657</u>
Total other financing sources	<u>2,657</u>	<u>-</u>	<u>-</u>	<u>2,657</u>
Net change in Fund Balances	9,412	2,309	-	11,721
Fund balances, beginning of year, restated	<u>39,590</u>	<u>33,516</u>	<u>10</u>	<u>73,116</u>
Fund balances, end of year	<u>\$ 49,002</u>	<u>\$35,825</u>	<u>\$ 10</u>	<u>\$ 84,837</u>

The accompanying notes are an integral part of this statement.

TOWN OF ROSELAND

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2004

Net change in fund balances - total governmental funds	\$ 11,721
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	441,145
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In the statement of activities, only the gain on the disposed assets is reported, whereas in the governmental funds, the proceeds from the disposition increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the equipment disposed of.	(38)
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Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of principal repayments.	<u>8,074</u>
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Change in net assets of governmental activities	<u>\$460,902</u>
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The accompanying notes are an integral part of this statement.

TOWN OF ROSELAND
STATEMENT OF NET ASSETS
PROPRIETARY FUND
December 31, 2004

<u>Assets</u>	
<u>Current Assets</u>	
Cash	\$ 4,558
Accounts receivable, net	<u>33,030</u>
Total Current Assets	37,588
 <u>Restricted Assets</u>	
Cash and cash equivalents	82,113
 <u>Non-current Assets</u>	
Capital assets (net of accumulated depreciation)	<u>2,189,470</u>
Total Assets	<u>2,309,171</u>
 <u>Liabilities</u>	
<u>Current Liabilities (payable from current assets)</u>	
Accounts payable	17,203
Due to General Fund	<u>34,571</u>
Total Current Liabilities (payable from current assets)	<u>51,774</u>
 <u>Current Liabilities (payable from restricted assets)</u>	
Customer deposits	42,393
Accrued interest payable	8,352
Revenue bonds payable	<u>11,800</u>
Total Current Liabilities (payable from restricted assets)	<u>62,545</u>
 <u>Non-current Liabilities</u>	
Revenue bonds payable	<u>616,054</u>
Total Liabilities	<u>730,373</u>
 <u>Net Assets</u>	
Invested in capital assets, net of related debt	1,553,264
Restricted for debt service	64,351
Unrestricted (deficit)	<u>(38,817)</u>
Total Net Assets	<u>\$1,578,798</u>

The accompanying notes are an integral part of this statement.

TOWN OF ROSELAND

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - PROPRIETARY FUND
For the Year Ended December 31, 2004

	<u>Waterworks and Sewer Fund</u>
<u>Operating Revenues</u>	
Charges for services -	
Water sales	\$ 125,131
Sewer charges	71,618
Delinquent charges	7,616
Connection charges	50
Other income	175
Total operating revenues	<u>204,590</u>
<u>Operating Expenses</u>	
Salaries	56,737
Payroll taxes	4,337
Accounting and auditing	8,640
Bad debts	3,000
Engineering	222
Repairs and maintenance	14,554
Equipment fuel	4,482
Insurance	6,494
Meter reading expense	2,327
Office expense	4,932
Supplies	5,205
Testing	2,074
Utilities and telephone	26,415
Depreciation	106,842
Total operating expenses	<u>246,261</u>
Net operating (loss)	<u>(41,671)</u>
<u>Non-operating Revenues (Expenses)</u>	
Interest income	117
Repayment of 1992 LCDBG grant	(5,317)
Interest expense	(39,930)
Total non-operating revenue (expenses)	<u>(45,130)</u>
Change in net assets	(86,801)
Total net assets, beginning	<u>1,665,599</u>
Total net assets, ending	<u>\$1,578,798</u>

The accompanying notes are an integral part of this statement.

TOWN OF ROSELAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended December 31, 2004

	<u>Waterworks and Sewer Fund</u>
<u>Cash flows from operating activities:</u>	
Receipts from customers	\$ 192,488
Payments to suppliers	(73,828)
Payments to employees	(61,074)
Net cash provided by operating activities	<u>57,586</u>
<u>Cash flows from capital and related financing activities:</u>	
Payments for Bonds	(11,268)
Payments for capital acquisitions	(539)
Interest paid	(40,305)
Principal repayments	(5,317)
Net cash (used) for capital and related financing activities	<u>(57,429)</u>
<u>Cash flows from investing activities:</u>	
Interest income	<u>117</u>
Net cash provided by investing activities	<u>117</u>
Net increase in cash and cash equivalents	274
Cash balance - beginning of year	<u>4,284</u>
Cash balance - end of year	<u>\$ 4,558</u>
<u>Reconciliation of operating income to net cash provided by operating activities:</u>	
Operating (loss)	\$ (41,671)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	106,842
<u>Change in assets and liabilities:</u>	
Receivables, net	(7,322)
Due to other funds	8,070
Accounts and other payable	(3,553)
Restricted assets	(6,280)
Customer deposits	<u>1,500</u>
Net cash provided by operating activities	<u>\$ 57,586</u>

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2004

INTRODUCTION

The Town of Roseland was incorporated on January 4, 1892, under the provisions of the "Lawrason Act" [Louisiana Revised Statutes (R.S.) 33:321-481] of the constitution of the State of Louisiana. The town is located in the Parish of Tangipahoa and has a population of 1,162. The town operates under a Board of Councilmen - Mayor form of government and, as permitted under the act, provides police protection; fire protection; roads, streets, and sidewalks; sponsorship of federal and state supported programs; water and sewer utilities; and other necessary public services.

The accounting and reporting policies of the Town of Roseland conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:513 and to the guides set forth in the *Louisiana Governmental Audit Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

In June 1999 the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain of the significant changes in the Statement include the following:

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

These and other changes are reflected in the accompanying financial statements (including these notes to the financial statements). The town was required to implement the general provisions of Statement No. 34 in the current year. The town is not required to retroactively report infrastructure.

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. REPORTING ENTITY AND REPORTING MODEL

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining the identification of a primary government unit for financial reporting purposes. The GASB has set forth criteria to be considered in determining which governmental entities are primary governments. An entity is a primary government if it satisfies all of the following criteria:

- The entity has a separate governing body elected by the citizenry in a general, popular election.
- The entity is legally separate from other entities.
- The entity is fiscally independent of other state and local governmental entities.

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2004

Based on the above criteria the town has determined that the Town of Roseland, Louisiana, is a *primary government and financial reporting entity in accordance with GASB Statement No. 14*. The Town has also determined that there are no component units that should be considered part of the Town for financial reporting purposes.

GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual financial reports easier to understand and more useful to the people who use governmental financial information to make decisions.

Management's Discussion and Analysis - GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

Government-Wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable), but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Assets - The Statement of Net Assets is designed to display the financial position of the primary government (government and business-type activities). Governments will report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government will be broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities - The new government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial process of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the new reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2004

B. GOVERNMENT-WIDE AND FUND 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 non-fiduciary 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.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of governmental and proprietary fund financial statements is on "major" funds. Fund statements present in separate columns the general fund, followed by major funds, with non-major funds aggregated and displayed in a separate column. The new model (GASB Statement 34) sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise funds combined) for the determination of major funds. In addition to the funds that meet the major fund criteria, any other governmental or enterprise fund that the government's officials believe is particularly important to financial statement users may be reported as a major fund.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2004

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The town reports the following major governmental funds:

The General Fund is the town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Fund:

The Fire Protection Fund accounts for the receipt and use of proceeds of the Town's 10 year, 10 mills property tax. The tax is to be used for the acquiring, constructing, improving, maintaining, and operating facilities and equipment to provide fire protection and emergency medical service.

Capital Project Fund:

The LCDBG Fund accounts for the \$647,750 Louisiana Community Development Block grant for the construction of a new water well.

Proprietary Fund:

Enterprise fund - - accounts 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 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. The Town maintains one enterprise fund, the Waterworks and Sewer Fund, which provides water and sewer services.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The town has elected not to follow subsequent private-sector guidance.

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2004

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1.) Charges to customers or applicants for goods, services, or privileges provided, 2.) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are user fees. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. BUDGETS

Formal budgetary accounting is employed as a management control for all governmental funds of the Town. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the General Fund and Special Revenue Fund, and the same basis of accounting is used to reflect actual revenues and expenditures recognized on a generally accepted accounting principles basis. Budgets are prepared and adopted in accordance with the Louisiana Local Government Budget Act. Budgetary control is exercised at the fund level for each fund.

All budget appropriations lapse at the end of each fiscal year.

The budgets of the General Fund and Fire Protection Fund were amended once during the fiscal year with the final amendment taking place on December 9, 2004.

E. ENCUMBRANCES

The Town does not use encumbrance accounting.

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2004

F. DEPOSITS AND INVESTMENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the municipality may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the municipality may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

G. RECEIVABLES

Receivables are shown net of an allowance for uncollectibles. Uncollectible amounts due for water and sewer charges 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 receivables. Uncollectible amounts for property taxes are recorded as a reduction of current revenues.

H. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

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

I. RESTRICTED ASSETS

For the special revenue fund, Fire Protection, the restricted asset is cash that is required to be set aside to fund a reserve account per the debt agreement.

For the enterprise fund, restricted assets consist of cash resources set aside for repayment of customer deposits and revenue bonds and interest in accordance with applicable bond covenants.

J. CAPITAL ASSETS

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type 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 town maintains a threshold level of \$500 or more for capitalizing capital assets.

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2004

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if material, is included as part of the capitalized value of the assets constructed. As a Phase III government under GASB Statement No. 34, the Town elects not to retroactively report infrastructure assets prior to December 31, 2003.

All capital assets, other than land, are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Governmental activities -	
Buildings and building improvements	20 - 40 Years
Furniture and fixtures	5 - 10 Years
Vehicles	5 Years
Equipment	5 - 15 Years
Water and Sewer Utility -	
Wells	25 - 40 Years
Storage tanks	15 - 40 Years
Lines and meters	30 - 50 Years
Sewerage system	20 - 50 Years
Miscellaneous equipment	5 - 10 Years

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

K. COMPENSATED ABSENCES

Permanent, full-time employees (subject to a six-month probationary period) earn annual leave on the anniversary date of their employment based on years of service. Annual leave is earned as follows:

After	1 year of service	:	5 days of leave is earned
	2 years	:	10 days
	4 years	:	15 days

Annual leave may accrue without limit and shall be paid to an employee at time of separation of employment provided that the employee was not dismissed for theft of Town property. The accrued annual leave is not considered material and no liability is recorded in the accompanying statements.

Sick leave is earned at the rate of one day per month. Any unused sick leave at the end of a calendar year may be accrued up to 90 days but can be used only for major medical leave. There is no payment for accrued sick or medical leave upon retirement or termination. Therefore, accrual of the liability for unused sick leave is not required.

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2004

L. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as *liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets*. Bond premiums and discounts, if any, as well as issuance costs, if any, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize both premiums and discounts, if any, as well as bond issuance costs, if any, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances, if any, are reported as other financing sources while discounts on debt issuances, if any, are reported as other financing uses.

M. FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

N. ESTIMATES

The preparation of financial statements in conformance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the recorded amount of the assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the report period. *Actual results could differ from those estimates.*

O. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. For the purpose of the statement of activities, all interfund transfers between funds have been eliminated.

P. AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes were levied by the Town in October and billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2004

The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of Tangipahoa Parish.

Q. SALES TAXES

The Town assesses a 1% sales and use tax as authorized by Ordinance Number 158 adopted November 6, 1967, and an additional 1% sales and use tax authorized by the adoption of Ordinance Number 182 revising and extending Ordinance Number 158 increasing the original sales tax from 1% to 2% effective April 12, 1982. The tax may be used for any lawful purpose.

(2) REVENUES AND EXPENDITURES - ACTUAL AND BUDGET

The following individual funds had actual expenditures and other uses over budgeted expenditures and other uses for the year ended December 31, 2004:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Unfavorable Percent</u>
Expenditures:				
General Fund	\$188,220	\$202,102	\$13,882	7.37%
Fire Protection Fund	16,132	19,547	3,415	21.16%

The Louisiana Municipal Budget Law requires a local government to amend its operating budget when total actual expenditures and other uses exceed the total budgeted expenditures and other uses by 5% or more. The Town failed to amend the budgets by an adequate amount for the general fund and fire protection fund for the fiscal year ended December 31, 2004.

The excess expenditures of the general fund and fire protection fund were funded by available fund balance.

(3) CASH AND CASH EQUIVALENTS

At December 31, 2004, the Town had cash (book balances) totaling \$131,649 (including \$84,346 of restricted cash) as follows:

Cash on hand	\$ 91
Interest bearing demand deposits	41,441
Non-interest bearing demand deposits	90,117
Total	<u>\$131,649</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2004

At December 31, 2004, the Town has \$130,240 in deposits (collected bank balances). These deposits are secured from risk by \$118,204 of federal deposit insurance and \$95,838 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

(4) RECEIVABLES

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include ad valorem taxes, sales taxes, franchise taxes, and grants. Business-type activities report utility billings as their major receivable.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as ad valorem taxes, sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Receivables at December 31, 2004, consist of the following:

<u>Class of Receivables</u>	<u>General</u>	<u>Revenue</u>	<u>Special Enterprise</u>	<u>Total</u>
Taxes -				
Ad valorem	\$ 8,670	\$14,973	\$ -	\$ 23,643
Franchise	6,882	-	-	6,882
Sales	4,857	-	-	4,857
Accounts -				
Water and Sewer	-	-	46,030	46,030
Intergovernmental -				
Beer taxes	273	-	-	273
Fire District No. 2	2,400	-	-	2,400
Less: Allowance for Uncollectibles	<u>(1,865)</u>	<u>(3,220)</u>	<u>(13,000)</u>	<u>(18,085)</u>
Totals	<u>\$21,217</u>	<u>\$11,753</u>	<u>\$ 33,030</u>	<u>\$ 66,000</u>

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2004

(5) AD VALOREM TAXES

The following is a summary of authorized and levied ad valorem taxes:

	<u>2004</u>
Assessed valuation	\$2,294,716
Authorized and levied millage	
General Fund	5.79
Fire Protection Fund	<u>10.00</u>
Total millage	<u>15.79</u>
Total tax levy	\$36,234

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town of Roseland during the year and actually billed to taxpayers and become due in November. Revenues from ad valorem taxes are budgeted in the year billed and recognized as revenue when billed. The taxes are generally collected in December of the current year and January and February of the ensuing year.

A special election was held on October 7, 2000, in which voters of the Town of Roseland approved a 10 year, 10 mills property tax for fire protection that began with the year of 2000.

(6) RESTRICTED ASSETS

Restricted assets applicable to the Fire Protection Fund at December 31, 2004, consist of cash reserved for payment of debt service of \$2,233.

Restricted assets applicable to the Waterworks and Sewer Fund at December 31, 2004, consisted of cash reserved for bond requirements of \$64,351 and for customer deposits of \$17,762. The customer deposits are underfunded by \$24,631 as the liability for customer deposits is \$42,393 at December 31, 2004.

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2004

(7) CAPITAL ASSETS

The following is a summary of changes in capital assets for the fiscal year ended December 31, 2004:

Governmental Activities:	<u>Balance 12/31/03</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/04</u>
Capital assets not depreciated:				
Land and land improvements	<u>\$ 58,693</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,693</u>
Other capital assets:				
Buildings	<u>644,536</u>	<u>-</u>	<u>-</u>	<u>644,536</u>
Equipment	<u>340,734</u>	<u>14,154</u>	<u>750</u>	<u>354,138</u>
Total other capital assets	<u>985,270 *</u>	<u>14,154</u>	<u>750</u>	<u>998,674</u>
Less: Accumulated depreciation:				
Buildings	<u>104,183</u>	<u>15,987</u>	<u>-</u>	<u>120,170</u>
Equipment	<u>85,962</u>	<u>27,050</u>	<u>712</u>	<u>112,300</u>
Total accumulated depreciation	<u>190,145</u>	<u>43,037</u>	<u>712</u>	<u>232,470</u>
Other capital assets, net	<u>795,125</u>	<u>(28,883)</u>	<u>38</u>	<u>766,204</u>
Total governmental activities capital assets, net	<u>\$853,818</u>	<u>\$(28,883)</u>	<u>\$ 38</u>	<u>\$824,897</u>

* Equipment has been restated at December 31, 2003, to reflect a decrease of \$22,114 as a result of the change in capitalization threshold limits.

Depreciation was charged to governmental functions as follows:

General government	<u>\$17,322</u>
Public safety - Police	<u>4,799</u>
Public safety - Fire	<u>20,291</u>
Streets	<u>625</u>
Total	<u>\$43,037</u>

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2004

The following is a summary of changes in capital assets for the business-type activity for the fiscal year ended December 31, 2004:

Business-type activity:	Balance 12/31/03	Increases	Decreases	Balance 12/31/04
Land	\$ 6,500	\$ -	\$ -	\$ 6,500
Buildings	20,640	-	-	20,640
Equipment	24,287	539	-	24,826
Water system	1,693,552	-	-	1,693,552
Sewerage system	<u>2,076,918</u>	<u>-</u>	<u>-</u>	<u>2,076,918</u>
	3,821,897	539	-	3,822,436
Less: Accumulated depreciation:				
Plant and equipment	<u>1,526,124</u>	<u>106,842</u>	<u>-</u>	<u>1,632,966</u>
Total business-type activity capital assets, net	<u>\$2,295,773</u>	<u>\$(106,303)</u>	<u>\$ -</u>	<u>\$2,189,470</u>

Depreciation was charged to the business-type activity as follows:

Waterworks and Sewer Fund	<u>\$106,842</u>
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(8) DEFERRED CONTRIBUTION

The \$490,178 deferred contribution reported on the statement of net assets represents the construction in progress paid by the LCDBG Capital Projects Fund to construct a new water well. Upon completion, the capital projects fund will donate the water well to the Waterworks and Sewer Fund.

(9) PENSION PLAN

The police chief of the Town of Roseland and one other full-time police officer are members of the Municipal Police Employees Retirement System (MPERS) of Louisiana. This system is a cost-sharing, multiple-employer, defined benefit pension plan established by state statute and administered by a separate board of trustees.

Municipal Police Employees' Retirement System of Louisiana

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.

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2004

The System issues an annual publicly available financial report that includes financial statement and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

Funding Policy. Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the Town of Roseland is required to contribute at an actuarially determined rate. The current rate is 21.50 percent of annual covered payroll. The contribution requirements of plan members and the Town of Roseland are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Roseland contributions to the System for the years ending December 31, 2004, 2003, and 2002, were \$6,971, \$4,477, and \$3,508, respectively, equal to the required contributions for each year.

(10) RETIREMENT SYSTEM

Employees of the Town are members of the social security system. In addition to employee payroll deductions, Town funds are remitted to match the employee contributions. Aggregate contributions to the social security system for the year ended December 31, 2004, were \$13,202 of which \$6,601 was contributed by the Town.

(11) ECONOMIC DEVELOPMENT AWARD AGREEMENT AND LEASE

On May 3, 2000, an Economic Development Award Agreement between the Louisiana Department of Economic Development, Karts International, Inc. (referred to as Company), and the Town of Roseland (referred to as Sponsoring Entity) was approved by the Governor of the State of Louisiana. The award (grant) of \$300,000 was used to assist the Town in building a new manufacturing facility that is located in the Town's industrial park. The Agreement was effective from May 3, 2000, thru November 10, 2003.

As part of the Agreement, the Company was required to meet specific performance objectives each year. The Company is now bankrupt and failed to meet the required performance objectives.

The total cost to construct the building was \$500,000. To pay for the construction the Town used the \$300,000 award money plus \$200,000 advanced lease payments received from Karts International, Inc. The \$200,000 advance lease payments was for the full monthly net rental that would otherwise become due over both the primary term of the lease commencing October 1, 2000, and ending September 30, 2007, and the option term commencing October 1, 2007, and ending September 30, 2009.

The Town of Roseland, on May 2, 2003, filed litigation proceedings against Karts International, Inc. and/or Funkarts, Inc. concerning the occupancy of the above mentioned real property located in the Town of Roseland Industrial Park. The outcome of this litigation is currently pending.

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2004

(12) REVENUE BONDS PAYABLE- PROPRIETARY FUND

The following is a detailed summary of bond transactions outstanding for the year ended December 31, 2004:

Proprietary Fund Waterworks and Sewer Fund	Balance at 1-1-04	Additions	Reductions	Balance at 12-31-04	Due Within One Year
U.S. Department of Agriculture Rural Development Revenue Bonds:					
Series A	\$403,902	\$ -	\$ (6,910)	\$396,992	\$ 7,400
Series B	<u>235,220</u>	<u>-</u>	<u>(4,358)</u>	<u>230,862</u>	<u>4,400</u>
Total Proprietary Fund	<u>\$639,122</u>	<u>\$ -</u>	<u>\$(11,268)</u>	<u>\$627,854</u>	<u>\$11,800</u>
Total long-term obligations	<u>\$639,122</u>	<u>\$ -</u>	<u>\$(11,268)</u>	<u>\$627,854</u>	<u>\$11,800</u>

The Revenue Bonds payable in the Waterworks and Sewer Fund consists of two issues financed by the U.S. Department of Agriculture, Rural Utilities Service, formerly Farmers Home Administration, to pay part of the cost of constructing, acquiring, extending, and improving the waterworks and sewerage systems. Principal and interest payments are payable solely from revenues derived from the operation of the waterworks and sewer system. Series A Revenue Bonds for \$472,500, dated January 22, 1988, are due in annual installments of principal and interest, totaling \$33,094, payable for 40 years, with interest at 6.375%. Series B Revenue Bonds for \$272,000, dated May 23, 1988, are due in annual installments of principal and interest totaling \$18,480 payable for 40 years, with interest at 6.125%.

The bond agreements for these revenue bonds require a Combined Waterworks and Sewerage System Revenue Bond Reserve Fund ("Reserve Fund") funded by monthly payments based on 5% of the annual bond payments until the accumulation of a sum equal to the highest combined principal and interest falling due in any succeeding year. By December 31, 2004, the Reserve Fund should have totaled \$40,749. This account had \$41,355. At December 31, 2004, the Reserve Fund was fully funded.

In addition, these bond agreements require a Depreciation and Contingency Fund funded by monthly payments of \$221 each month until the bonds have been retired. The fund is to be used for payment of extraordinary maintenance, repairs, and replacements. At December 31, 2004, the Depreciation and Contingency Fund should have totaled \$41,925; however, the balance in this account was \$22,996.

In 1997, to satisfy and remove a delinquency in the payment of these bonds, the town agreed to a Positive Action Plan dated June 5, 1997, which requires monthly payments of principal and interest in lieu of the original annual payments. In addition, the town is to make additional deposits into the Reserve Fund and the Depreciation and Contingency Fund to bring these accounts to the levels required in the initial bond agreements.

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2004

The annual requirements to amortize all revenue bonds outstanding at December 31, 2004, including interest of \$557,035 are as follows:

	<u>USDA Rural Development FmHA Revenue Bonds</u>		
	<u>1988-A</u>	<u>1988-B</u>	<u>Total</u>
2005	\$ 33,094	\$ 18,480	\$ 51,574
2006	33,094	18,480	51,574
2007	33,094	18,480	51,574
2008	33,094	18,480	51,574
2009	33,094	18,480	51,574
Thereafter	<u>585,809</u>	<u>341,210</u>	<u>927,019</u>
Total	<u>\$751,279</u>	<u>\$433,610</u>	<u>\$1,184,889</u>

(13) CHANGES IN GENERAL LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended December 31, 2004:

	<u>Long-Term Obligations Payable 1-1-04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Long-Term Obligations Payable 12-31-04</u>	<u>Due Within One Year</u>
Certificate of Indebtedness	\$65,000	\$ -	\$(8,074)	\$56,926	\$8,500
Capital Lease	<u>535</u>	<u>-</u>	<u>(535)</u>	<u>-</u>	<u>-</u>
Total Proprietary Fund	<u>\$65,535</u>	<u>\$ -</u>	<u>\$(8,609)</u>	<u>\$56,926</u>	<u>\$8,500</u>

The Certificate of Indebtedness is comprised as the following issue:

On July 5, 2002, the Town borrowed \$65,000 from USDA - Rural Development on Certificate of Indebtedness, Series 2002 bearing interest at the rate of 4¾% per annum to purchase a new fire truck.

Certificate R-1 is payable in eight consecutive annual payments due on March 1 of the years 2003 through 2010 with the first payment being for interest only (\$2,024.03), and thereafter, the payments shall be equal, annual amortized payments of principal and interest (\$11,131.90)

The Town is also required to make annual payments on March 20th of each year, starting March 20, 2003, into the "Certificate of Indebtedness, Series 2002, Reserve Fund" in an amount equal to 10% of the annual debt service payment made on the prior March 1st until \$6,500 is on deposit in said Reserve Fund. At December 31, 2004, \$2,233 was on deposit in this fund. This was in compliance.

The \$65,000 certificate of indebtedness is collateralized by and payable from a pledge of the special ten (10) mills ad valorem tax levy approved by the voters at the October 7, 2000, election.

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2004

The certificate of indebtedness debt service requirements to maturity, including \$9,866 of interest, are as follows:

<u>Fiscal Year Ending</u> <u>December 31</u>	<u>Amount</u>
2005	\$11,132
2006	11,132
2007	11,132
2008	11,132
2009	11,132
2010	11,132
	<u>\$66,792</u>

(14) CAPITAL PROJECTS FUND

On June 18, 2003, the Town was awarded a \$647,750 Louisiana Community Development Block Grant (LCDBG) grant for the construction of a new water well. This fund is used to account for the cost of construction. This project was completed April 20, 2005.

(15) INTERFUND RECEIVABLES, PAYABLES

Amounts due to or from other funds at December 31, 2004, consisted of the following:

	<u>Interfund</u> <u>Receivables</u>	<u>Interfund</u> <u>Payables</u>
General Fund	\$52,805	\$ 7,352
Special Revenue Funds - Fire Protection	7,352	18,234
Enterprise Fund - Waterworks and Sewer Fund	-	<u>34,571</u>
Total	<u>\$60,157</u>	<u>\$60,157</u>

(16) CONTINGENT LIABILITY

On March 5, 2005, the Town received an invoice in the amount of \$14,445.58 from the Tangipahoa Parish Sheriff for prisoner housing. The invoice covered the period of July 1999 thru January 2005. Roseland's Chief of Police informed the Mayor that the previous sheriff had verbally agreed to house the Town's prisoners at no cost to the Town. Of the \$14,445.58 shown above, \$13,279.42 was for prisoner housing under the previous sheriff's administration.

The Mayor contacted the current sheriff about the previous sheriff's arrangement with the Chief of Police. The Mayor requested the sheriff to forgive the debt. Per the Mayor, the sheriff stated that he would have to wait until his annual audit was complete before making the decision.

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2004

(17) LITIGATION AND CLAIMS

The following legal actions are currently pending against the Town of Roseland:

1. Suit#: 2003-001910, Jason Dufrene, et al v. Reginald A. Cotton, et al. This is a personal injury claim. The Town is being defended by its insurer, Risk Management.
2. Suit#: 2004-0607, Calvin E. Batiste, Sr., et al v. James Edward Layrission, et al. The chief of police, Tommy Cutrer, has been named as a defendant in this case. This is a First Amendment violation case that has been filed with the U.S. District Court for the Eastern District of Louisiana. The Town is being defended by its insurer, Risk Management, with a reservation of coverage. The Town does not have coverage as relates to any "dishonest, fraudulent, criminal, or malicious act or omission of any participant."
3. Suit#: 2005-1425, Katie Shields v. Walter Daniels, et al. This lawsuit alleges that Walter Daniels as a duly qualified police officer for the Town of Roseland improperly restrained the complainant, Katie Shields, and as a result of that restraint caused her physical injuries. This action has been brought pursuant to 42 U.S.C. Sec. 1983 and additionally, the complainant seeks damages for malicious prosecution and false imprisonment. The Town is being defended by its insurer, Risk Management.

Accrual of the loss contingencies listed above have not been recorded in the financial statements as responsibility has not been determined and/or the possible loss or range of loss for each legal action cannot be reasonably estimated.

(18) COMPENSATION PAID MAYOR, CHIEF OF POLICE, AND TOWN COUNCIL

Amounts paid to the Mayor, Chief of Police, and members of the Town Council for compensation are as follows:

Charles Bracey, Mayor	\$ 7,800
Tommy Cutrer, Chief of Police	18,720
<u>Town Council</u>	
Anthony Distefano	1,300
Paula Hughes	1,300
John Pritchett, Sr.	1,300
Monroe Perry, Jr.	1,300
Roy Burton, Sr.	1,300
	<u>\$33,020</u>

(19) ON BEHALF PAYMENTS BY STATE OF LOUISIANA

For the year ended December 31, 2004, the State of Louisiana made on behalf payments in the form of supplemental pay to the Town's policemen. In accordance with GASB 24, the Town has recorded \$7,200 of on behalf payments as revenue and as expense in the General Fund.

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2004

(20) RISK MANAGEMENT

The Town of Roseland is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town attempts to minimize risk from significant losses through the purchase of commercial insurance.

(21) LCDBG PROGRAM REPAYMENT

On April 2, 1993, the Town of Roseland entered into a contract with the Louisiana Division of Administration, Louisiana Community Development Block Grant Program, for a 1992 sewerage extension grant for the amount of \$642,851.

The Town of Roseland could not or did not complete the project causing a loss of \$73,624 in engineering and administrative fees. This caused the Town to be in default with the 1992 sewer grant which made the Town ineligible to be considered for future grant funds.

To cure the default with the 1992 sewer grant and thereby allowing the Town of Roseland to become eligible for future consideration of Louisiana Community Development Block Grant Funds, the Town entered into an agreement with the Division of Administration, State of Louisiana on November 16, 1999, to repay the \$73,624 mentioned above.

In the agreement, the Town of Roseland agreed to pay the Division of Administration \$409.03 per month for a period of one hundred eighty (180) months until the total sum of \$73,624 is repaid in full. This repayment shall be without the payment of interest.

The Town made all required payments during the year.

(22) RESTATED FUND BALANCES

The beginning fund balances of the General Fund and the Fire Protection Special Revenue Fund have been restated:

	General Fund	Fire Protection Fund
Fund Balances (Deficit) at December 31, 2003	\$ (8,305)	\$45,765
Combine Sales Tax Fund with the General Fund	5,803	-
Merge Volunteer Fire Department funds into the General Fund	12,249	(12,249)
Writeoff the accounts payable for the year 2000	1,499	-
Writeoff Waste Management accounts payable from 1994.	<u>28,344</u>	<u>-</u>
Fund Balances at December 31, 2003, as restated	<u>\$39,590</u>	<u>\$33,516</u>

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2004

(23) RESERVED AND DESIGNATED NET ASSETS AND FUND BALANCES

At December 31, 2004, the Fire Protection Fund had restricted net assets of \$2,233 for debt service.

At December 31, 2004, the proprietary fund had restricted net assets of \$64,351, representing the Town's funds restricted by revenue bond debt covenants.

(24) SUBSEQUENT EVENTS

Subsequent to December 31, 2004, the following events occurred:

The construction of the new well was completed April 20, 2005.

The Town was awarded a \$9,750 Rural Development Grant for pumps at the lift station.

The Town is to purchase two police vehicles with decals for \$3,500.

The Roseland police department is to receive \$1,020.32 from the District Attorney for their share of drug money seized.

On June 1, 2005, USDA agreed to allow the Town to use between \$8,000 and \$10,000 of Depreciation and Contingency funds to pay for sewer repairs based on the Smoke Test Survey performed on May 9th and 10th, 2005.

Town entered into an agreement with Phoenix Tank Services to demolish the old water tower for \$14,250.00.

REQUIRED SUPPLEMENTAL INFORMATION
(PART II)

TOWN OF ROSELAND
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - SUMMARY
For the Year Ended December 31, 2004

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Taxes -				
Ad valorem	\$ 9,000	\$ 9,000	\$ 13,706	\$ 4,706
Public utilities franchise	25,000	25,000	29,562	4,562
Sales tax	75,000	78,000	83,659	5,659
Licenses and permits -				
Occupational licenses	33,000	33,000	34,147	1,147
Permits	1,000	1,000	914	(86)
Intergovernmental -				
Beer taxes	2,250	2,250	1,474	(776)
Federal grants - police	3,000	3,000	2,568	(432)
State grants - police	-	-	829	829
State grant - street	-	-	11,250	11,250
2% Fire Insurance Rebate	-	-	4,670	4,670
Fines	20,000	20,000	13,109	(6,891)
On behalf payments by state	7,200	7,200	7,200	-
Fire Protection Services	-	-	4,800	4,800
Miscellaneous revenues	5,000	8,000	969	(7,031)
Total revenues	<u>180,450</u>	<u>186,450</u>	<u>208,857</u>	<u>22,407</u>
<u>Expenditures</u>				
Current -				
General government	60,200	68,000	60,552	7,448
Public safety - police	99,820	99,820	107,001	(7,181)
Public safety - fire	6,600	6,600	8,286	(1,686)
Streets	13,000	13,800	26,263	(12,463)
Total expenditures	<u>179,620</u>	<u>188,220</u>	<u>202,102</u>	<u>(13,882)</u>
Excess (deficiency) of revenues over expenditures	<u>830</u>	<u>(1,770)</u>	<u>6,755</u>	<u>8,525</u>
<u>Other Financing Sources</u>				
Sale of capital assets	-	-	2,657	2,657
Total other financial sources	-	-	<u>2,657</u>	<u>2,657</u>
Excess (deficiency) of revenues and other financing sources over expenditures	830	(1,770)	9,412	11,182
Fund balance, beginning, restated	<u>162</u>	<u>2,502</u>	<u>39,590</u>	<u>37,088</u>
Fund balance (deficit), ending	<u>\$ 992</u>	<u>\$ 732</u>	<u>\$ 49,002</u>	<u>\$48,270</u>

(Continued)
See accountant's report.

TOWN OF ROSELAND
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - EXPENDITURES DETAIL
For the Year Ended December 31, 2004

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
<u>General Government</u>				
Salaries - Mayor and Council	\$14,300	\$14,300	\$14,300	\$ -
Salaries - Clerical	5,400	5,400	5,824	(424)
Payroll taxes	1,600	1,600	1,570	30
Attorney	4,800	4,800	4,800	-
Assessor	800	800	718	82
Accounting and auditing	7,500	7,500	9,215	(1,715)
Insurance	7,500	7,500	11,035	(3,535)
Office expense	3,000	3,000	2,041	959
Official journal	1,800	1,800	896	904
City hall utilities and telephone	4,000	4,000	2,675	1,325
Coroner	1,000	1,000	295	705
Animal control	1,500	1,500	-	1,500
Repairs and maintenance	5,000	5,000	5,904	(904)
Miscellaneous	1,000	1,000	838	162
Capital purchases	1,000	8,800	-	8,800
Debt service	-	-	441	(441)
Total General Government	<u>60,200</u>	<u>68,000</u>	<u>60,552</u>	<u>7,448</u>
<u>Public Safety - Police</u>				
Salaries	55,720	55,720	59,344	(3,624)
Payroll taxes	2,600	2,600	2,269	331
On behalf payments by state	7,200	7,200	7,200	-
Retirement contributions	4,900	4,900	6,970	(2,070)
Auto fuel	5,500	5,500	5,992	(492)
Auto repairs	2,500	2,500	5,227	(2,727)
Insurance	10,000	10,000	9,893	107
Miscellaneous	2,400	2,400	2,872	(472)
Supplies	1,000	1,000	268	732
Utilities	3,500	3,500	4,062	(562)
Equipment acquisitions	1,500	1,500	2,904	(1,404)
Grant expenditures	<u>3,000</u>	<u>3,000</u>	-	<u>3,000</u>
Total Public Safety - Police	<u>99,820</u>	<u>99,820</u>	<u>107,001</u>	<u>(7,181)</u>
<u>Public Safety - Fire</u>				
Utilities	5,100	5,100	5,274	(174)
Miscellaneous	<u>1,500</u>	<u>1,500</u>	<u>3,012</u>	<u>(1,512)</u>
Total Public Safety - Fire	<u>6,600</u>	<u>6,600</u>	<u>8,286</u>	<u>(1,686)</u>
<u>Streets</u>				
Street and traffic light	13,000	13,800	14,503	(703)
Materials, supplies, and repairs	-	-	510	(510)
Capital purchases	-	-	11,250	(11,250)
Total Streets	<u>\$13,000</u>	<u>\$13,800</u>	<u>\$26,263</u>	<u>\$(12,463)</u>

(Concluded)
See accountant's report.

TOWN OF ROSELAND

BUDGETARY COMPARISON SCHEDULE
FIRE PROTECTION SPECIAL REVENUE FUND
For the Year Ended December 31, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
Taxes - Ad Valorem	<u>\$16,300</u>	<u>\$16,300</u>	<u>\$21,856</u>	<u>\$ 5,556</u>
Total Revenues	<u>16,300</u>	<u>16,300</u>	<u>21,856</u>	<u>5,556</u>
<u>Expenditures</u>				
General government	5,000	5,000	-	5,000
Fire fighting supplies	-	-	1,661	(1,661)
Insurance	-	-	1,262	(1,262)
Principal & Interest	11,132	11,132	11,132	-
Professional Fees	-	-	3,625	(3,625)
Office Expense	-	-	57	(57)
Repairs & Maintenance	-	-	1,810	(1,810)
Total Expenditures	<u>16,132</u>	<u>16,132</u>	<u>19,547</u>	<u>(3,415)</u>
Excess of Revenues Over Expenditures	168	168	2,309	2,141
Fund balance, beginning, restated	<u>24,381</u>	<u>24,381</u>	<u>33,516</u>	<u>9,135</u>
Fund balance, ending	<u>\$24,549</u>	<u>\$24,549</u>	<u>\$35,825</u>	<u>\$11,276</u>

See accountant's report.

OTHER SUPPLEMENTAL INFORMATION

Town of Roseland

Proprietary Fund Type - Additional Information
As of and for the Year Ended December 31, 2004

WATERWORKS AND SEWER UTILITY REVENUE BONDS
ADDITIONAL INFORMATION

The resolutions authorizing the issuance of \$744,500 Waterworks and Sewer Utility Revenue Bonds require the following information to be submitted in connection with the audit report:

a. Insurance policies in force at December 31, 2004:(UNAUDITED)

- 1) Insurer: Louisiana Municipal Risk Management Agency,
expiring November 6, 2004 (has been renewed to November 6, 2006):

<u>Policy Limit</u>	<u>Risks Covered</u>
\$500,000	Automobile liability
\$500,000	Commercial general liability
\$500,000	Law Enforcement officer's comprehensive liability
\$500,000	Public officials' errors and omissions liability

- 2) Insurer: Louisiana Municipal Risk Management Agency,
expiring December 29, 2004 (has been renewed to December 29, 2005)

<u>Policy Limit</u>	<u>Risk Covered</u>
Louisiana Statutes	Worker's Compensation

- 3) Insurer: Hanover Insurance Company, expiring April 25, 2005

<u>Policy Limit</u>	<u>Risk Covered</u>
\$ 54,442	Commercial property coverage (Water well & tower)
\$ 25,158	Commercial property coverage (Lift stations)
\$ 31,602	Commercial property coverage (Old well)
\$251,319	Commercial property coverage (Buildings)

- 4) Insurer: Trinity Universal Insurance Company

\$15,000 Bond on Assistant Clerk expiring March 1, 2005

\$55,000 Bond on Mayor Charles Bracey expiring April 16, 2005

Town of Roseland
Proprietary Fund Type - Additional Information
As of and for the year Ended December 31, 2004 - continued

5) Insurer: Western Surety Company

\$15,000 Bond on Clerk expiring May 9, 2005

\$15,000 Bond on Asst. Clerk expiring October 8, 2005

6) Insurer: Lexington Insurance Corporation, expiring August 18, 2005

Policy Limit

Risk Covered

\$18,000

Commercial Automobile Physical Damage (Police)

7) Insurer: American Alternative Insurance Corporation expiring April 1, 2005

Policy Limit

Risk Covered

- \$1,000,000 each accident
minus deductible

Business Auto Liability on 1975 Chevy Pumper,
1966 American LaFrance, and 2002
Freightliner Pumper

- Agreed value, actual cash
value or cost of repairs,
whichever is less,
minus deductible

2002 Freightliner Pumper - Comprehensive coverage

b. There were 617 metered water users and 356 users of the sewerage system at December 31, 2004.

c. There were 575 residential and 42 commercial water users at December 31, 2004.

d. Aging of water and sewer accounts receivable as of December 31, 2004:

0 - 30 days	\$17,544
Over 30 days	9,268
Over 60 days	6,737
Over 90 days	<u>12,481</u>
	<u>\$46,030</u>

Town of Roseland
Proprietary Fund Type - Additional Information
As of and for the year Ended December 31, 2004 - concluded

- e. Schedule of water and sewer rates as of December 31, 2004:

Sewer Service Charges

Residential Rates:

Metered:

\$7.00 base rate for sewer service - for 2,000 gallons water use.
\$2.05 per thousand gallons all over 2,000 gallons.

Flat Rate in Town:

\$14.00

Commercial Rates:

\$24.00 base rate for sewer service - for 2,000 gallons water use.
\$2.05 per thousand gallons all over 2,000 gallons.

Wholesale Rates:

\$117.15

Water Rates

Residential Rates:

In Town:

\$7.50 per month for the first 2,000 gallons
\$1.50 per month per thousand or part thereof all over 2,000 gallons

Out of Town:

\$9.50 per month for the first 2,000 gallons
\$1.60 per month per thousand or part thereof all over 2,000 gallons

Commercial Rates:

In Town:

\$21.50 per month for the first 10,000 gallons
\$1.50 per thousand or part thereof all over 10,000 gallons

Out of Town:

\$23.50 per month for the first 2,000 gallons
\$1.60 per month per thousand or part thereof all over 2,000 gallons

Flat Rate Customers:

\$63.90

- f. See audit Finding 04-2 for auditor's other comments.

**OTHER INDEPENDENT AUDITOR'S REPORT
AND FINDINGS**



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

The Honorable Mayor Charles M. Bracey and
Members of the Town Council
Town of Roseland
Roseland, Louisiana

I have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Roseland, Louisiana, as of and for the year ended December 31, 2004, which collectively comprise the Town of Roseland, Louisiana's basic financial statements and have issued my report thereon dated June 9, 2005. I conducted my 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Roseland, Louisiana's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Town of Roseland, Louisiana's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 04-1, 04-2, 04-3, 04-4, 04-6, 04-7, and 04-8.

A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My 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, of the reportable conditions described above, I consider items 04-4 and 04-7 to be a material weakness.

Town of Roseland
Independent Auditor's Report on Internal Control and on
Compliance and Other Matters - Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Roseland, Louisiana's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 my audit and, accordingly, I do not express such an opinion.

The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 04-1, 04-2, 04-6, 04-8, and 04-9.

This report is intended solely for the information of the governing council, management, and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.



Certified Public Accountant

June 9, 2005

TOWN OF ROSELAND

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS For the Year Ended December 31, 2004

SECTION 1. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
03-1 Failure to comply with the Local Government Budget Act/Lawrason Act	Not resolved- see current year Finding 04-1
03-2 Failure to comply with Bond Resolution	Not resolved- see current year Finding 04-2
03-3 Failure to comply with the Town's annual leave and sick leave policy	Partially resolved- see current year Finding 04-3
03-4 Lack of segregation of duties	Not resolved- see current year Finding 04-4
03-5 Failure to correctly report employee retirement contributions.	Not resolved- see current year Finding 04-5
03-6 Delinquent payments by an elected official.	Resolved
03-7 Cell phone use not in compliance.	Not resolved- see current year Finding 04-6
03-8 Inadequate controls over water and sewer receivables.	Not resolved- see current year Finding 04-7
03-9 Deficiencies in payroll records.	Resolved
03-10 Mayor's Court and Fines	Partially resolved - see current year Finding 04-8

SECTION 2: INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
Finding Reference No.	Management's Corrective Action Plan
NONE	NONE
SECTION 3. MANAGEMENT LETTER	
Finding Reference No.	Management's Corrective Action Plan
MGNT-1 Minutes appear Incomplete	Resolved
MGNT-2 Millage rate set by resolution.	Resolved
MGNT-3 No Bid Files	Resolved
MGNT-4 Missed Payment on 1992 LCDBG grant repayment.	Resolved

TOWN OF ROSELAND

Schedule of Current Year Audit Findings
Year Ended December 31, 2004

SECTION I - SUMMARY OF AUDITOR'S RESULTS

I have audited the financial statements of the Town of Roseland as of and for the year ended December 31, 2004, and have issued my report thereon dated June 9, 2005. I conducted my 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. My audit of the financial statements as of December 31, 2004, resulted in an unqualified opinion.

Financial Statements

Type of auditor's report issued:	unqualified	
Internal control over financial reporting:		
Material weaknesses identified?	<u> X </u> yes	<u> </u> no
Reportable conditions identified not considered to be material weaknesses?	<u> X </u> yes	<u> </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

SECTION II - FINANCIAL STATEMENT FINDINGS

This section is used to identify the reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements required to be reported under Government Auditing Standards (GAGAS).

04-1 Local Government Budget Act Violations
(Repeated from Prior Year)

For the year ended December 31, 2004, the General Fund had budgeted expenditures and other uses of \$188,220 compared to actual expenditures and other uses of \$202,102 resulting in an unfavorable variance of \$13,882 or 7.37%.

The Fire Protection Fund had budgeted expenditures and other uses of \$16,132 compared to actual expenditures and other uses of \$19,547 resulting in an unfavorable variance of \$3,415 or 21.16%.

Town of Roseland
Schedule of Financial Statement Findings - Continued

Louisiana Revised Statute (R.S.) 39:1310-13 requires the Town to amend its budget when actual expenditures and other uses exceed the budgeted expenditures and other uses by 5% or more.

The Town should monitor its financial statements at least quarterly and amend the budgets as needed.

04-2 Failure to comply with Bond Resolution
(Repeated from Prior Year)

In connection with the issuance of certain revenue bonds in 1988, the Town agreed to comply with certain terms of the bond indentures and loan agreements with the Farmers Home Administration (FmHA) and its Rural Utilities Service (RUS). The FmHA, through the Water and Waste Disposal Systems for Rural Communities (CFDA 10.760), loaned the town funds to pay part of the cost of constructing and acquiring improvements to the water system of the town (water system bond issue) and constructing, acquiring, improving, and extending a sewer system for the town, as a combined utility system (sewer system bond issue). As conditions of the loan agreements and bond indentures, FmHA established certain requirements with which the town must comply.

The Town did not comply with the following requirements:

- (1) The loan agreements require the town to establish and maintain a Depreciation and Contingency Fund (Depreciation Fund) and make monthly payments to this account.

The terms of the original bond resolution required payments of \$221 per month into the Depreciation Fund. Very few of these payments were made.

Several years ago, the Town's financial condition deteriorated to the point of where the Town could not meet its financial obligations in a timely manner. This condition affected all funds of the Town and resulted in the Town becoming delinquent with required payments in connection with the Water and Sewer Revenue Bonds.

Because of the delinquent payments, the Town entered into a Positive Action Plan with FmHA on June 5, 1997, that requires monthly debt service payments directly to the Rural Utilities Service for both the water system and sewer system bond issues. Furthermore, the Positive Action Plan requires increased payments to the Reserve Fund and Depreciation and Contingency Fund until the balances in the accounts reach the levels required by the original bond agreements.

On July 2, 1999, Bruce Bordelon with RUS verbally agreed to amend the Positive Action Plan (PAC) in regards to the monthly deposits to the Depreciation Fund. In order to catch up with delinquent payments the original PAC agreement required monthly deposits of \$1,647.20 into the Depreciation Fund. The amended PAC required monthly deposits of \$647.20 in the Depreciation Fund with \$1,000 to be paid monthly to the General Fund on an interfund loan balance of \$10,906. The Town was to resume paying the \$1,647.20 to the Depreciation Fund when the Waterworks and Sewer Fund repaid this loan in full and funded the customer deposits bank account to a level sufficient to meet the liability.

At December 31, 2004, the Waterworks and Sewer Fund had made only one payment on its debt to the General Fund. In addition, the Town did not resume paying the full \$1,647.20 monthly payment to the Depreciation and Contingency Fund per the PAC agreement.

Town of Roseland
Schedule of Financial Statement Findings - Continued

The Town should make the monthly payments required by the Positive Action Plan.

- (2) The loan agreement requires the Town to shut off water services to a customer whose account is not paid within 40 days of the billing date.

The shut-off procedures being followed by the Town are not consistent with the loan agreement. This has resulted in the continuing problem of loss revenue.

The Town needs to improve its efforts to cut-off delinquent water and sewer customers and collect delinquent accounts receivable.

- (3) Section 11 of the bond resolution states "the Town shall carry full coverage of insurance on the System . . ." The term full coverage is not defined in the resolution. The Town does not appear to have sufficient property loss insurance coverage. The current policy for the water tower and well has a coverage limit of \$54,442.

I recommend that the Town ask RUS for a definition of "fully insured". I realize that additional insurance coverage means additional premium dollars.

04-3 Annual Leave and Sick Leave Policy
(Repeated from Prior Year)

The Town of Roseland Police Department continues to fail to maintain adequate leave records for the police department. *Records for annual leave and holidays earned and taken are inadequate.* Recalculation was not possible. Sick leave is being calculated and recorded correctly.

The Chief of Police should comply with maintaining leave records in an adequate manner as to make recalculation possible.

During the audit, it was determined that the water and street general labor employees were not being given credit for annual and sick leave earned.

The town's policy regarding the earning of annual leave states that permanent, full-time employees (subject to a six-month probationary period) earn annual leave on the anniversary date of their employment.

Sick leave is earned at the rate of one day per month. The Town's policy is silent as to who is eligible.

The clerk needs to ensure that all employees who meet the criteria for earning leave based on the existing policy be given credit for those days earned.

Town of Roseland
Schedule of Financial Statement Findings - Continued

04-4 Lack of Segregation of Duties
(Repeated from Prior Year)

The Town's clerk is the sole employee involved in the recording, processing, and summarizing of the Town's financial data.

An adequate system of internal control requires an appropriate segregation of duties consistent with control objectives. This deficiency could adversely affect the entity's ability to record, process, and summarize financial data consistent with management's objectives.

The limited size of the Town precludes an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial. No change is recommended.

04-5 Employee Retirement Contributions
(Repeated from Prior Year)

The Town has yet to prepare the 2002 amended retirement reports to correct and remit the \$910.50 of under reported contributions.

The Mayor should request the Town's accountant to prepare the 2002 amended retirement reports and remit the contributions.

04-6 Cell Phone use is not in compliance with Louisiana Constitution and Louisiana Revised Statutes
(Repeated from Prior Year)

The 1974 Louisiana Constitution prohibits the donation of things of value of the municipality in Article VII, Section 14 (A). Additionally, public officials and their employees have a duty to safeguard the public funds or property belonging to the municipality for which they hold office or are employed. R.S. 42:1461 (A) provides that public officials and employees by act of accepting office or employment assume a personal obligation not to misappropriate, misapply, convert, misuse, or otherwise wrongfully take any funds, property, or other things of value belonging to the municipality. R.S. 14:134 (2) defines malfeasance in office when any public officer or employee shall intentionally perform any such duty in an unlawful manner.

During 2004, the Town paid for five cell phones provided by either Nextel or Cingular. These phones are issued to the Mayor, Chief of Police, Fire Chief, a police unit, and street department. The Town had no cell phone policy in 2004. For the phones issued to the Mayor and Chief of Police, no details of calls are provided.

One employee has a phone in the Town's name but he is responsible for payment of the account. At one point during the year the balance owed on the account was \$1,013.86. As of May 31, 2005, there was an \$84.53 balance on the account and the cell phone was cut-off.

The individuals who have phones issued to them are not indicating on the monthly billing statement that they have reviewed the statement and that no personal calls have been made.

Town of Roseland
Schedule of Financial Statement Findings - Continued

The employees and officials would be in violation of R.S. 42:1461 (A) if there is personal use of the cell phones for which the Town is not being reimbursed. The employees and officials have an obligation and duty to immediately reimburse the Town for the personal calls made so as not to wrongfully take anything of value belonging to the Town.

Administration should develop a cell phone policy in order to prevent misuse of public funds. This policy should address who qualifies for a cell phone furnished by the Town, prohibit personal use of cell phones, prohibit family members from obtaining cell phones through the Town, and the monitoring of the monthly bills for personal use. The Town adopted a cell phone policy effective January 1, 2005.

Administration should require the phone companies to provide details of all calls (the Town may have to pay for this service). The Town's staff must monitor personal use.

04- 7 Inadequate controls over Water and Sewer Receivables
(Repeated from Prior Year)

The Town needs to improve controls over the water and sewer receivables. My review of these receivables revealed the following:

- A. At January 1, 2004, the balance of inactive accounts was \$1,401. The balance of inactive accounts at December 31, 2004 is \$8,716.71.
- The Town does not prepare or mail billing statements for inactive accounts.
 - There has been no attempt by administrative personnel to collect these inactive accounts.

The Town needs to strictly enforce the cutoff policy.

The Mayor should establish a policy for the collection of inactive accounts. Also, personnel should be instructed to contact the software company for the utility billings and find out how to print billing statements for inactive accounts without billing them for current service.

- B. At the end of July 2004, the clerk in reviewing the meter reading book discovered that all meter readings were incorrect. The three (3) Town employees in charge of reading the meters had written in false readings. Upon further review by the clerk, it was determined that the May and June readings were also incorrect. Immediately, the clerk notified the Mayor of her findings. The Mayor met with the three employees and sent them to re-read the July consumption. It should be noted that two of the three employees have since left employment with the Town. However, one of these persons remains as an employee of the Town.

Only those utility customers that called or came into city hall complaining about their bills had their accounts adjusted for May and/or June. The adjustments to reduce revenue totaled \$1,827.36. Upon review of the adjustment register, it appears that the consumption usage billed for July and August was also overstated. There is no way to determine the amount of usage that customers were overcharged.

Effective for the September 2004 consumption, the Mayor hired a meter reading company. The adjustments each month after this point appear to be normal.

Town of Roseland
Schedule of Financial Statement Findings - Continued

- C. The meter reading company hired in September 2004 is overcharging the Town for meter reading. The Town is billed per meter read. It appears that between September 2004 and May 2005 the Town was over billed approximately 27 meters per month. That is an average overcharge of \$24 per month or \$216 for the period cited above.

The Mayor should contact the meter reading company about the overcharge, request a refund for the charges, and instruct the clerk to compare the number of meters read per the invoice to the Town's monthly billing register. The Mayor should instruct the clerk to only pay for the actual number of meters read.

04-8 Mayor's Court and Fines
(Repeated from Prior Year)

Based on my audit tests of the Town's court system the following deficiencies were noted:

Traffic citations whose bond money has been paid prior to court were not listed on the court docket. The magistrate is not depositing these items.

For all traffic violations found guilty and the fine was not paid (most of the cases deposited), the Town is not preparing and remitting the report to the Louisiana Department of Motor Vehicles to suspend the drivers license of the defendant for non-payment. This has not been done for the August 2004 court through May 2005 court.

For defendant's that are found guilty and fail to pay their fine, the Town's policy is to issue an arrest warrant. Currently, the outstanding warrant file is massive. Upon inquiry with the Chief of Police, I was informed that he and his staff do not work the outstanding warrants. He stated that there is only one officer per shift and that the officer's regular duties preclude working the warrant list. Also, he stated that it would cost the Town money that it does not have to house the prisoners.

For the months October 2004 thru December 2004, the fines levied by the magistrate totaled \$8,166.00. The Town's receipts for fines in the same period were only \$2,672.00. Again, arrest warrants were issued but not followed up on.

The Mayor should instruct the Clerk to remit the proper report to suspend the driver's license of those defendant's found guilty of a traffic violation and have failed to pay their fine.

Management for the Town needs to get serious about collecting fines.

Town of Roseland
Schedule of Financial Statement Findings - Concluded

04-9 Failure to Comply with Bid Law for Fuel Purchases

For the fiscal year ended December 31, 2004, the Town purchased fuel totaling \$11,963.07 without the required bids.

Louisiana R.S. 38:2212 requires that for individual items or recurring charges over \$10,000 but less than \$20,000 a public entity shall obtain at least three (3) telephone or facsimile quotes. The public entity shall maintain written confirmation of the accepted offer.

For 2005, the Town should determine if the fuel purchased to date exceeds the required limits for bid law. If so, the Town should make efforts to comply with state bid law for the remainder of the year.

For all future years, the Town should request fuel bids as a mark-up over rack price paid by the fuel dealer.

TOWN OF ROSELAND

MANAGEMENT'S CORRECTIVE ACTION PLAN For the Year Ended December 31, 2004

SECTION 1. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
Finding Reference No.	Management's Corrective Action Plan
04-1 Failure to comply with the Local Government Budget Act/Lawarson Act	Administration will monitor the budget and actual figures more closely and comply with budget law.
04-2 Failure to comply with Bond Resolutions	a) The Mayor will ask FHA for extended cutoff dates. b) The Town has started making payments per the PAC agreement and will continue as funds are available. c) Mayor will request the definition of full coverage and then look into the costs of additional insurance coverage on the system.
04-3 Failure to comply with the Town's annual leave and sick leave policy.	a) The Chief of Police will get with the Clerk to resolve the issue with the police department leave records. b) The Clerk has agreed to improve record keeping of the leave records.
04-4 Lack of segregation of duties.	Mayor concurs with auditor's recommendation.
04-5 Failure to amend retirement reports.	Clerk has acknowledged the problem and plans to correct it in 2005.
04-6 Cell phone use not in compliance.	The Town adopted a cell phone policy effective January 1, 2005.
04-7 Inadequate controls over water and sewer receivables.	The Mayor is working to resolve this problem.
04-8 Mayor's Court/Fines	Mayor will contact magistrate and resolve this issue.
04-9 Failure to comply with Bid Law	Mayor will receive three fuel bids per year from fuel dealers at rack price.

Date Submitted: 6-24-05

Auditee: Chris B...