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TOWN OF ROSEPINE  
ANNUAL FINANCIAL STATEMENTS  
WITH AUDITOR'S REPORT  
JUNE 30, 2004

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

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# John A. Windham, CPA

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John A. Windham, CPA

## INDEPENDENT AUDITOR'S REPORT

The Honorable James K. Harper, Mayor  
and Members of the Board of Aldermen  
Town of Rosepine, Louisiana

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund, of the Town of Rosepine, Louisiana, as of and for the year ended June 30, 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 of Rosepine, Louisiana'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 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 Rosepine, Louisiana, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 1, 2004 on my consideration of the Town of Rosepine, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The Town of Rosepine, Louisiana, has not presented management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The Honorable James K. Harper, Mayor  
and Members of the Board of Aldermen

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Rosepine, Louisiana's basic financial statements. The schedules of per diem paid to board members, prior year audit findings, and current year audit findings are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of per diem paid to board members and prior year audit findings have 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. The schedules of per diem paid to board members and prior year audit findings have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

Handwritten signature of John U. Windham, CPA in cursive script.

DeRidder, Louisiana  
November 1, 2004

**BASIC FINANCIAL STATEMENTS**

Statement of Net Assets  
June 30, 2004

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 484,386	\$ 51,016	\$ 535,402
Receivables:			
LCDBG grant	35,786	-	35,786
Franchise taxes	9,086	-	9,086
Accounts	-	38,696	38,696
Intergovernmental:			
State bond commission	30	-	30
Prepaid insurance	6,948	5,790	12,738
Due from other funds	30	2,066	2,096
Restricted assets	-	102,950	102,950
Capital assets, net	341,389	1,903,494	2,244,883
Bond issue cost, net	-	3,499	3,499
Total assets	<u>\$ 877,655</u>	<u>\$ 2,107,511</u>	<u>\$ 2,985,166</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 6,236	\$ 6,048	\$ 12,284
Payroll taxes payable	677	930	1,607
Retirement payable	987	3,027	4,014
Contracts payable	114,343	-	114,343
Due to other funds	2,096	-	2,096
Accrued interest payable	1,214	2,566	3,780
Customer deposits	-	27,550	27,550
Long term liabilities:			
Due within one year	31,456	37,543	68,999
Due in more than one year	247,602	647,241	894,843
Total liabilities	<u>\$ 404,611</u>	<u>\$ 724,905</u>	<u>\$ 1,129,516</u>
<b>NET ASSETS</b>			
Invested in capital asset	\$ 341,389	\$ 1,903,494	\$ 2,244,883
Restricted for:			
Bond retirement	-	11,391	11,391
Depreciation and contingencies	-	27,653	27,653
Customer deposits	-	4,050	4,050
Reserved for debt service	4,847	-	4,847
Unrestricted	126,808	(563,982)	(437,174)
Total net assets	<u>\$ 473,044</u>	<u>\$ 1,382,606</u>	<u>\$ 1,855,650</u>
Total liabilities and net assets	<u>\$ 877,655</u>	<u>\$ 2,107,511</u>	<u>\$ 2,985,166</u>

The accompanying notes are an integral part of this statement.

Town of Rosepine, Louisiana

Statement B

Statement of Activities  
For the Year Ended June 30, 2004

Program Activities	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
General government						
and administration	\$ 57,973	\$ -	\$ 46,611	\$ (11,362)	\$ -	\$ (11,362)
Public safety	158,681	-	1,021	(42,714)	-	(42,714)
Public works	469,676	-	355,390	(114,286)	-	(114,286)
Interest on long term debt	2,247	-	-	(2,247)	-	(2,247)
Total governmental activities	\$ 688,577	\$ -	\$ 403,022	\$ (170,609)	\$ -	\$ (170,609)
Business-type activities:						
Water and sewer	\$ 439,228	\$ -	\$ -	\$ -	\$ (148,760)	\$ (148,760)
Total government	\$ 1,127,805	\$ -	\$ 403,022	\$ (170,609)	\$ (148,760)	\$ (319,369)
General revenues:						
Taxes:						
Ad valorem taxes				16,387	-	16,387
Sales taxes				-	79,061	79,061
Insurance premium tax				20,004	-	20,004
Occupational licenses and permits				11,111	-	11,111
Franchise fees				43,461	-	43,461
Investment earnings				1,399	998	2,397
Certificate of indebtedness proceeds				250,000	-	250,000
Miscellaneous				3,112	-	3,112
Transfers				13,995	(13,995)	-
Total general revenues and transfers				359,469	66,064	425,533
Change in net assets				188,860	(82,696)	106,164
Net assets at beginning of year				284,184	1,465,302	1,749,486
Net assets at end of year				\$ 473,044	\$ 1,382,606	\$ 1,855,650

The accompanying notes are an integral part of the statement.

Balance Sheet  
Governmental Funds  
June 30, 2004

	Major Fund				Total Governmental Funds
	General	Capital Project Fund LCDBG Fire Protection Project	Other Governmental Fund		
Cash and cash investments	\$ 245,620	\$ 233,919	\$ 4,847	\$	\$ 484,386
Receivables	-	35,786	-	-	35,786
LCDBG grant	9,086	-	-	-	9,086
Franchise taxes	-	-	-	-	-
Intergovernmental	-	30	-	-	30
State bond commission	6,948	-	-	-	6,948
Prepaid insurance	-	30	-	-	30
Due from other funds	-	-	-	-	-
Total assets	\$ 261,654	\$ 269,765	\$ 4,847	\$	\$ 536,266

ASSETS

LIABILITIES AND FUND BALANCES

Liabilities:					
Accounts payable	\$ 6,236	\$ -	\$ -	\$	\$ 6,236
Payroll taxes payable	677	-	-	-	677
Retirement payable	987	-	-	-	987
Contracts payable	-	114,343	-	-	114,343
Due to other funds	1,877	219	-	-	2,096
Total liabilities	\$ 9,777	\$ 114,562	\$ -	\$	\$ 124,339
Fund Balances:					
Reserved for debt service	\$ -	\$ -	\$ 4,847	\$	\$ 4,847
Unreserved, reported in:					
General Fund	251,877	-	-	-	251,877
Capital project funds	-	155,203	-	-	155,203
Total fund balances	\$ 251,877	\$ 155,203	\$ 4,847	\$	\$ 411,927
Total liabilities and fund balances	\$ 261,654	\$ 269,765	\$ 4,847	\$	\$ 536,266

The accompanying notes are an integral part of this statement.



Reconciliation of the Governmental Funds Balance Sheet  
to Statement of Net Assets  
June 30, 2004

Total fund balance - total governmental funds	\$	411,927
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 balance sheets.		341,389
Long-term liabilities including bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Accrued interest payable	\$ (1,214)	
Bonds, notes and leases payable	<u>(279,058)</u>	
		<u>(280,272)</u>
Net assets of governmental activities	\$	<u><u>473,044</u></u>

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2004

	General Fund	Capital Project Fund		Other Governmental Fund	Total Governmental Funds
		LCDBG Fire Protection Project			
<b>Revenues</b>					
Taxes:					
Ad valorem	\$ 16,387	\$ -	\$ -	\$ -	\$ 16,387
Insurance premium tax	20,004	-	-	-	20,004
Franchise	43,461	-	-	-	43,461
Intergovernmental:					
Federal grants - LCDBG	-	355,390	-	-	355,390
State grants	47,632	-	-	-	47,632
Occupational licenses and permits	11,111	-	-	-	11,111
Investment income	1,399	-	-	-	1,399
Fines and forfeitures	89,357	-	-	-	89,357
Court fees	25,589	-	-	-	25,589
Other revenues	3,112	-	-	-	3,112
<b>Total revenues</b>	<b>\$ 258,052</b>	<b>\$ 355,390</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 613,442</b>
<b>Expenditures</b>					
Current operating:					
General government	\$ 49,838	\$ -	\$ -	\$ -	\$ 49,838
Public safety	143,686	-	-	-	143,686
Public works	129	459,462	-	-	459,591
Debt service:					
Principal	9,930	-	-	-	9,930
Interest	1,033	-	-	-	1,033
Capital outlay	5,283	-	-	-	5,283
<b>Total expenditures</b>	<b>\$ 209,899</b>	<b>\$ 459,462</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 669,361</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ 48,153</b>	<b>\$ (104,072)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (55,919)</b>

(Continued)

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2004

	Capital Project Fund			Other Governmental Fund	Total Governmental Funds
	General Fund	LCDBG Fire Protection Project	LCDBG Fire Protection Project		
Other financing sources (uses)					
Transfer in	\$ 4,720	\$ 9,275	\$ 4,847	\$ 18,842	\$ 18,842
Transfer out	(4,847)	-	-	(4,847)	(4,847)
Certificates of Indebtedness proceeds	-	250,000	-	250,000	250,000
Total other financing sources (uses)	\$ (127)	\$ 259,275	\$ 4,847	\$ 263,995	\$ 263,995
Net change in fund balance	\$ 48,026	\$ 155,203	\$ 4,847	\$ 208,076	\$ 208,076
Fund balances at beginning of year	203,851	-	-	203,851	203,851
Fund balances at end of year	\$ 251,877	\$ 155,203	\$ 4,847	\$ 411,927	\$ 411,927

(Concluded)

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balance of Governmental Funds to the  
Statement of Activities

For the Year Ended June 30, 2004

Net change in fund balances - total governmental funds	\$	208,076
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.</p>		5,283
<p>Depreciation expense on capital assets is reported in the government- wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.</p>		(23,285)
<p>Accrued interest on long term debt is not shown in the governmental funds.</p>		<u>(1,214)</u>
Change in net assets of governmental activities	\$	<u><u>188,860</u></u>

The accompanying notes are an integral part of this statement.

General Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amount Budgetary Basis	Budget to GAAP differences over(under)	Actual Amount GAAP Basis
	Original	Final			
<b>Revenues</b>					
Taxes:					
Ad valorem	\$ 18,100	\$ 17,000	\$ 16,387	\$ (613)	\$ 16,387
Insurance premium tax	14,450	20,000	20,004	4	20,004
Franchise fees	40,700	43,000	43,461	461	43,461
Intergovernmental:					
State grants	-	47,632	47,632	-	47,632
Occupational licenses and permits	10,020	11,000	11,111	111	11,111
Investment income	1,810	1,450	1,399	(51)	1,399
Fines and forfeitures	105,000	84,000	89,357	5,357	89,357
Court fees	30,000	24,500	25,589	1,089	25,589
Other revenue	415	380	3,112	2,732	3,112
<b>Total revenues</b>	<b>\$ 220,495</b>	<b>\$ 248,962</b>	<b>\$ 258,052</b>	<b>\$ 9,090</b>	<b>\$ 258,052</b>
<b>Expenditures</b>					
Current operating:					
General government	\$ 46,745	\$ 50,650	\$ 49,838	\$ 812	\$ 49,838
Public safety	151,790	152,365	143,686	8,679	143,686
Public works	3,571	400	129	271	129
Debt service:					
Principal	9,930	9,930	9,930	-	9,930
Interest	1,033	1,033	1,033	-	1,033
Capital outlay	2,500	4,000	5,283	(1,283)	5,283
<b>Total expenditures</b>	<b>\$ 215,569</b>	<b>\$ 218,378</b>	<b>\$ 209,899</b>	<b>\$ 8,479</b>	<b>\$ 209,899</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ 4,926</b>	<b>\$ 30,584</b>	<b>\$ 48,153</b>	<b>\$ 17,569</b>	<b>\$ 48,153</b>

(Continued)

The accompanying notes are an integral part of this statement.

General Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amount Budgetary Basis	Budget to GAAP differences over(under)	Actual Amount GAAP Basis
	Original	Final			
Other financing sources (uses):					
Transfers in	\$ -	\$ -	\$ 4,720	\$ 4,720	\$ 4,720
Transfers out	-	-	(4,847)	(4,847)	(4,847)
Total other financing sources (uses)	\$ -	\$ -	\$ (127)	\$ (127)	\$ (127)
Net change in fund balance	\$ 4,926	\$ 30,584	\$ 48,026	\$ 17,442	\$ 48,026
Fund balances at beginning of year	203,851	203,851	203,851	-	203,851
Fund balances at end of year	\$ 208,777	\$ 234,435	\$ 251,877	\$ 17,442	\$ 251,877

(Concluded)

The accompanying notes are an integral part of this statement.

Statement of Net Assets  
Proprietary Fund  
June 30, 2004

	<u>Business-Type Activities - Enterprise Fund Water and Sewer</u>
Assets	
Current Assets	
Cash and cash investments	\$ 51,016
Receivables:	
Accounts	38,696
Prepaid insurance	5,790
Due from other funds	2,066
Total current assets	<u>\$ 97,568</u>
Noncurrent Assets	
Restricted cash and cash investments	\$ 102,950
Capital assets, net	1,903,494
Bond issue cost, net	3,499
Total noncurrent assets	<u>\$ 2,009,943</u>
Total assets	<u>\$ 2,107,511</u>
Liabilities	
Current Liabilities	
Accounts payable	\$ 6,048
Payroll taxes payable	930
Retirement payable	3,027
Current portion of note payable	5,183
Current portion of lease payable	2,621
Total current liabilities	<u>\$ 17,809</u>
Liabilities payable from restricted assets	
Accrued interest payable	\$ 2,566
Customer deposits	27,550
Bonds payable	29,739
Total liabilities payable from restricted assets	<u>\$ 59,855</u>
Noncurrent Liabilities	
Bonds, mortgage notes and leases payable	<u>\$ 647,241</u>
Total liabilities	<u>\$ 724,905</u>
Net Assets	
Invested in capital assets	\$ 1,903,494
Restricted for:	
Bond retirement	\$ 11,391
Depreciation and contingencies	27,653
Customers deposits	4,050
Unrestricted	(563,982)
Total net assets	<u>\$ 1,382,606</u>
Total liabilities and net assets	<u>\$ 2,107,511</u>

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Net Assets  
 Proprietary Fund  
 For the Year Ended June 30, 2004

	Business-Type Activities - Enterprise Fund Water and Sewer
Operating revenues	
Charges for services	\$ 290,468
Operating expenses	
Personal services	162,092
Supplies	62,312
Contractual services	68,379
Depreciation	103,166
Total operating expenses	\$ 395,949
Income (loss) from operations	\$ (105,481)
Nonoperating revenues (expenses)	
Sales taxes	\$ 79,061
Investment income	998
Interest expense	(43,279)
Total nonoperating revenues (expenses)	\$ 36,780
Income (loss) before transfers	\$ (68,701)
Transfers out	\$ (13,995)
Change in net assets	\$ (82,696)
Net assets at beginning of year	1,465,302
Net assets at end of year	\$ 1,382,606

The accompanying notes are an integral part of this statement.



Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2004

	Business-Type Activities - Enterprise Fund
	Water and Sewer
Cash flows from operating activities:	
Cash received from customers	\$ 286,138
Cash payments to suppliers for goods and services	(125,688)
Cash payments to employees for services	(162,092)
Net cash used by operating activities	\$ (1,642)
Cash flows from noncapital financing activities:	
Transfers to other funds	\$ (13,995)
Sales tax received	79,060
Net cash provided by noncapital financing activities	\$ 65,065
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (18,355)
Interest paid on debt	(41,109)
Retirement of debt	(33,865)
Due from other funds	(162)
Net cash used by capital and related financing activities	\$ (93,491)
Cash flow from investing activities:	
Interest on cash and investments	\$ 998
Net increase (decrease) in cash and cash investments	\$ (29,070)
Cash and Cash investments, July 1	183,036
Cash and Cash investments, June 30	\$ 153,966

(Continued)

The accompanying notes are an integral part of this statement.

Statement of Cash Flows  
 Proprietary Fund  
 For the Year Ended June 30, 2004

	<u>Business-Type Activities - Enterprise Funds</u>
	<u>Water and Sewer</u>
Reconciliation of (loss) from operations to net cash provided by operating activities:	
Loss from operations	\$ (105,481)
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:	
Depreciation	\$ 102,575
Amortization	592
Change in assets and liabilities:	
Increase in accounts receivable	(4,765)
Increase in accounts payable	5,443
Increase in customer deposits	435
Increase in prepaid insurance	(441)
Net cash provided by operating activities	<u>\$ (1,642)</u>
	(Concluded)

The accompanying notes are an integral part of this statement.

Town of Rosepine, Louisiana

Notes to the Financial Statements  
As of and for the Year Ended June 30, 2004

**INTRODUCTION**

The Town of Rosepine was incorporated under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Aldermen form of government.

The accounting and reporting policies of the Town of Rosepine conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

The Town maintains various funds that provide services and benefits to its citizens including repairs and maintenance of approximately 7 miles of roads and streets, and water and sewer services to approximately 700 residents.

The Town is located within Vernon Parish in the southwestern part of the State of Louisiana and is comprised of approximately 1,500 residents. The governing board is composed of five elected aldermen that are compensated for regular and special board meetings. There are approximately six employees who maintain the water and sewer systems and handle the clerical work for the Town. The police department consists of an elected chief of police and approximately four patrolman.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the municipality is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the municipality may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on 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 and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the funds financial statements.*

**B. 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 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.

Town of Rosepine, Louisiana

Notes to the Financial Statements (Continued)

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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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 municipality reports the following major governmental funds:

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

The Capital Project Fund accounts for LCDBG (Louisiana Community Development Block Grant) grant revenues that have been approved for certain specific projects undertaken by the town.

The municipality reports the following major proprietary fund:

The Proprietary 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 that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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 government has elected not to follow subsequent private-sector guidance.

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 governments 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. 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. Charges for services of providing water and sewer services to residents comprise the operating revenue of the Town's enterprise fund. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expense, 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 municipality's policy to use restricted resources first, and then unrestricted resources as they are needed.

Town of Rosepine, Louisiana

Notes to the Financial Statements (Continued)

**C. Deposits and Investments**

The municipality's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the municipality's investment policy allow the municipality to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

**D. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes are collected and remitted by the local sheriff, if taxes are not paid, a sheriff's sale is held and the property is sold to satisfy the taxes due on that property. Due to this, the majority, if not all property taxes are collected, therefore no allowance account for uncollectibles has been established. Water and sewer charges have customer deposits that have been collected in advance therefore the majority of all water and sewer billing is collected or taken out of the customer's deposit, any allowance account would be immaterial, therefore one has not been established.

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The following is a summary of authorized and levied ad valorem taxes:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Taxes due for:			Renewed
General corporate tax	5.00	5.00	Annually

The following are the principal taxpayers and related property tax revenue for the municipality:

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>Ad Valorem Tax Revenue for Municipality</u>
Gray Sales & Service	Car Sales	\$ 481,230	41%	\$ 2,406

*Sales Taxes*

The Town of Rosepine receives a one-percent sales tax, which is dedicated to the maintenance of the sewer system for a period of 40 years beginning December 14, 1972.

**E. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Town of Rosepine, Louisiana

Notes to the Financial Statements (Continued)

**F. Restricted Assets**

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

**Bond sinking funds** - The Utility Revenue bonds dated November 1, 1995 require a monthly deposit into a sinking fund of \$2,600 for payment of principal and interest due each month. The Utility Revenue Refunding bonds dated June 1, 1998 require a sinking fund deposit paid monthly in advance on or before the 20<sup>th</sup> day of each month during the period June, 1998 through March, 1999, of \$2,919.94 and thereafter monthly in advance on or before the 20<sup>th</sup> day of each month of each year. Commencing April, 1999, a sum equal to one-sixth (1/6<sup>th</sup>) of the interest falling due on the next interest payment date and a sum equal to one-twelfth (1/12<sup>th</sup>) of the principal falling due on the next principal payment date, together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively become due shall be deposited into the sinking fund.

**Bond reserve funds** - The Utility Revenue bonds dated November 1, 1995 require a monthly deposit into a reserve fund of \$130 until a \$31,200 balance is accumulated therein. Money in these accounts is used to pay the maturing principal and interest on the bonds when there is not sufficient money in the sinking funds.

**Depreciation and contingency funds** - the Utility Revenue bonds dated November 1, 1995 require a monthly deposit into a depreciation and contingency fund of \$133 for the life of the bond. Money in this account is used for repairs and replacement of the existing utility system. The Utility Revenue Refunding Bonds dated June 1, 1998 require a depreciation and contingency fund deposit paid monthly in advance on or before the 20<sup>th</sup> day of each month, commencing June, 1998, a sum at least equal to five percent (5%) of the amount to be paid into the sinking fund.

Cash collected from utility fund customers as deposits against future utility bills are classified as restricted assets and are held by the town in a custodial cash account entitled "Customer Deposits".

**G. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), 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 municipality maintains a threshold level of \$1,000 or more for capitalizing capital assets.

The Town received 2.89 acres of land donated by an individual for the site of the new town hall. The donated property was valued at \$39,000 by a qualified appraisal.

According to GASB 34 the Town of Rosepine was not required to retroactively report infrastructure assets in its financial statements, therefore, these assets have not been reported in the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense included during the current fiscal year was \$44,312. No interest was included as part of the cost of capital assets under construction in connection with the Town's construction projects.

Town of Rosepine, Louisiana

Notes to the Financial Statements (Continued)

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

<u>Description</u>	<u>Estimated Lives</u>
Roads, bridges, and infrastructure	40-50 years
Land improvements	40-50 years
Buildings and building improvements	40-50 years
Furniture and fixtures	5-15 years
Vehicles	5-10 years
Equipment	3-15 years

**H. Compensated Absences**

The municipality has the following policy relating to vacation and sick leave:

Each fulltime and permanent municipal employee shall earn annual vacation and sick leave as follows:

Vacation

- Five (5) days with pay after one (1) year employment.
- Ten (10) days with pay after three (3) years employment.
- Fifteen (15) days with pay after six (6) years employment.
- Twenty (20) days with pay after nine (9) years employment.

Vacation days cannot be carried over from year to year.

The least amount of vacation taken at one time is one half (1/2) day.

Employees required to work on an observed holiday shall receive compensatory time off or in the sanitation department either compensatory time off or overtime pay. Holidays observed by the municipality shall not be counted as vacation leave.

Employees may not take pay instead of time off.

Leave from work with pay may be charged as sick leave if the absence is due to sickness, bodily injury, quarantine, required physical or dental examinations, or treatment, exposure to a contagious disease when continued work might jeopardize the health of others, illness in the immediate family of the employee which requires the care of the employee. All such absences, except those resulting from intemperance or immorality, shall be charged against the sick leave credit of the employee.

Each employee shall earn one (1) day for each month worked, provided, however no employee may accumulate more than ten (10) days of sick leave per year nor accumulate more than thirty (30) days of sick leave overall.

The least amount of time taken for sick leave is one half (1/2) day.

Sick leave may not be accumulated for an indefinite period, and there is no maximum amount of sick leave, which may be accumulated.

The mayor shall determine when a certificate from a doctor is required to substantiate the necessity of sick leave.

There will be no pay for unused leave upon resignation or retirement of an employee.

Sick leave may not be granted for maternity leave.

**I. Long-Term Obligations**

In the government-wide financial statements, and the proprietary funds 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, as well as

Town of Rosepine, Louisiana

Notes to the Financial Statements (Continued)

issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**J. 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.

**K. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the municipality, which are either unusual in nature or infrequent in occurrence.

**L. Estimates**

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

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*BUDGET INFORMATION* The municipality uses the following budget practices:

1. The Town Clerk and Mayor prepare a proposed budget and submit same to the Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after the publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen. These amended amounts are shown in the financial statements.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Board of Aldermen.



Town of Rosepine, Louisiana

Notes to the Financial Statements (Continued)

**3. CASH AND CASH EQUIVALENTS**

At June 30, 2004, the municipality has cash and cash equivalents (book balances) totaling \$638,352 as follows:

Interest bearing demand deposits	\$	327,252
Demand deposits		253,321
Petty cash		500
Money market investment accounts		57,279
Total	\$	<u>638,352</u>

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

At June 30, 2004, the municipality has \$645,608 in deposits (collected bank balances). These deposits are secured from risk by \$205,331 of federal deposit insurance and \$440,277 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, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the municipality that the fiscal agent has failed to pay deposited funds upon demand. Other items concerning cash and cash equivalents are located at Note 1C.

**4. RECEIVABLES**

The receivables of \$83,598 at June 30, 2004, are as follows:

<u>Class of receivable</u>	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
Taxes:				
Franchise	\$ 9,086	\$ -	\$ -	\$ 9,086
Accounts	-	-	38,696	38,696
LCDBG grant	-	35,786	-	35,786
Intergovernmental	-	30	-	30
Total	<u>\$ 9,086</u>	<u>\$ 35,816</u>	<u>\$ 38,696</u>	<u>\$ 83,598</u>

**5. INTERFUND RECEIVABLES/PAYABLES**

The following due to/from balances exist due to payments made out of one fund that relate to the other fund. The balance in each respective due to/from account is expected to be paid within the current year.

	<u>Due from</u>	<u>Due to</u>
General fund	\$ -	\$ 1,877
Proprietary fund	2,066	-
Capital project fund	30	219
Total	<u>\$ 2,096</u>	<u>\$ 2,096</u>

Town of Rosepine, Louisiana

Notes to the Financial Statements (Continued)

6. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2004, for the primary government is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 410	\$ 40,756	\$ -	\$ 41,166
<b>Capital assets being depreciated</b>				
Improvements other than buildings	379,892	-	-	379,892
Machinery and equipment	81,358	3,527	-	84,885
Vehicles	27,822	24,508	-	52,330
Total capital assets being depreciated	<u>489,072</u>	<u>28,035</u>	<u>-</u>	<u>517,107</u>
<b>Less accumulated depreciation for:</b>				
Improvements other than buildings	151,213	7,598	-	158,811
Machinery and equipment	28,475	8,489	-	36,964
Vehicles	13,911	7,198	-	21,109
Total accumulated depreciation	<u>193,599</u>	<u>23,285</u>	<u>-</u>	<u>216,884</u>
Total capital assets being depreciated, net	<u>\$ 295,473</u>	<u>\$ 4,750</u>	<u>\$ -</u>	<u>\$ 300,223</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 29,945	\$ -	\$ -	\$ 29,945
<b>Capital assets being depreciated</b>				
Buildings	80,584	-	-	80,584
Utility plant and improvements	3,386,953	10,837	-	3,397,790
Machinery and equipment	55,729	-	-	55,729
Vehicles	30,191	-	-	30,191
Total capital assets being depreciated	<u>3,553,457</u>	<u>10,837</u>	<u>-</u>	<u>3,564,294</u>
<b>Less accumulated depreciation for:</b>				
Buildings	47,277	2,165	-	49,442
Utility plant and improvements	1,491,327	92,227	-	1,583,554
Machinery and equipment	28,825	5,033	-	33,858
Vehicles	20,741	3,150	-	23,891
Total accumulated depreciation	<u>1,588,170</u>	<u>102,575</u>	<u>-</u>	<u>1,690,745</u>
Total business-type assets being depreciated, net	<u>\$ 1,965,287</u>	<u>\$ (91,738)</u>	<u>\$ -</u>	<u>\$ 1,873,549</u>

Town of Rosepine, Louisiana

Notes to the Financial Statements (Continued)

Depreciation expense of \$23,285 for the year ended June 30, 2004, was charged to the following governmental functions:

Public works	\$	7,598
Public safety		7,551
General administration		8,136
Total	\$	<u>23,285</u>

**7. CONSTRUCTION COMMITMENTS**

The municipality has an active construction project as of June 30, 2004. The Town of Rosepine has an active fire protection upgrade project as of June 30, 2004; the project is funded through a grant from the LCDBG (Louisiana Community Development Block Grant) program. The grant funds are being used to upgrade the current fire protection system. At year end the commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
LCDBG Fire Protection Project	\$ 459,462	\$ 140,538

**8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

	<u>Transfer in</u>	<u>Transfer out</u>
Capital project fund	\$ 9,275	\$ -
General fund	4,720	-
Proprietary fund	-	13,995
Total	\$ 13,995	\$ 13,995

**9. ACCOUNTS, SALARIES, AND OTHER PAYABLES**

The payables of \$132,248 at June 30, 2004, are as follows:

	<u>General Fund</u>	<u>Proprietary Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Withholdings	\$ 677	\$ 930	\$ -	\$ 1,607
Retirement	987	3,027	-	4,014
Accounts	6,236	6,048	-	12,284
Contracts	-	-	114,343	114,343
Total	\$ 7,900	\$ 10,005	\$ 114,343	\$ 132,248

**10. LEASES**

The municipality records items under capital leases as assets and obligations in the accompanying financial statements. The following is an analysis of capital lease assets at June 30, 2004.

<u>Type</u>	<u>Recorded Amount</u>
Vehicle	\$ 24,508
Equipment	<u>25,832</u>
Total	\$ <u>50,340</u>

Town of Rosepine, Louisiana

Notes to the Financial Statements (Continued)

The following is a schedule of the current (due in one year or less) and the long-term (due in more than one year) portions of capital leases as of June 30, 2004.

Current portion	\$ 13,076
Long-term portion	23,043
Total	<u>\$ 36,119</u>

The following is a schedule of future minimum lease payments under capital leases and the present value of the net minimum lease payments as of June 30, 2004.

Fiscal Year	Vehicle	Equipment	Total
2005	\$ 8,958	\$ 5,857	\$ 14,815
2006	8,958	5,857	14,815
2007	5,972	3,417	9,389
Total minimum lease payments	23,888	15,131	39,019
Less - amount representing interest	(1,890)	(1,010)	(2,900)
Present value of net minimum lease payments	<u>\$ 21,998</u>	<u>\$ 14,121</u>	<u>\$ 36,119</u>

11. LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended June 30, 2004.

	Proprietary Fund				Total
	Bonded Debt	Mortgage Note	Promissory Note	Capital Lease	
Long-term obligations at beginning of year	\$ 619,170	\$ 49,594	\$ 37,768	\$ 9,548	\$ 716,080
Additions	-	-	-	-	-
Principal payments	(26,550)	-	(4,828)	(2,487)	(33,865)
Reduction in deferred valuation account	2,568	-	-	-	2,568
Long-term obligations at end of year	<u>\$ 595,188</u>	<u>\$ 49,594</u>	<u>\$ 32,940</u>	<u>\$ 7,061</u>	<u>\$ 684,783</u>

	Governmental Funds		
	Certificates of Indebtedness	Capital Leases	Total
Long-term obligations at beginning of year	\$ -	\$ 14,481	\$ 14,481
Additions	250,000	24,508	274,508
Principal payments	-	(9,931)	(9,931)
Long-term obligations at end of year	<u>\$ 250,000</u>	<u>\$ 29,058</u>	<u>\$ 279,058</u>

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of June 30, 2004:

	Proprietary Fund				Total
	Bonded Debt	Mortgage Note	Promissory Note	Capital Leases	
Current portion	\$ 29,740	\$ -	\$ 5,183	\$ 2,620	\$ 37,543
Long-term portion	565,448	49,594	27,757	4,441	647,240
Total	<u>\$ 595,188</u>	<u>\$ 49,594</u>	<u>\$ 32,940</u>	<u>\$ 7,061</u>	<u>\$ 684,783</u>

Town of Rosepine, Louisiana

Notes to the Financial Statements (Continued)

	Governmental Funds		
	Certificates of Indebtedness	Capital Leases	Total
Current portion	\$ 21,000	\$ 10,455	\$ 31,455
Long-term portion	229,000	18,603	247,603
Total	\$ 250,000	\$ 29,058	\$ 279,058

All municipal bonds outstanding at June 30, 2004, for \$595,188, are revenue bonds with maturities from 2004 to 2035 and interest rates at 5% to 7.25%. Bond principal and interest payable in the next fiscal year are \$29,740 and \$36,317, respectively. The individual issues are as follows:

Bonds	Original Issue	Interest Rate	Final Payment Due	Interest to Maturity	Principal Outstanding	Funding Source
Utilities Revenue Refunding Bonds Series 1998	6/1/1998	7.25%	4/1/2010	36,641	129,987	Water revenues
Utilities Revenue Bonds	11/1/1995	5.50%	10/20/2035	546,200	465,201	Water revenues
Promissory note	11/4/1988	7.00%	11/20/2009	6,738	32,940	Water revenues

Year Ending June 30,	Principal Payments	Interest Payments	Total
2005	\$ 68,999	\$ 47,523	\$ 116,522
2006	68,529	43,858	112,387
2007	66,782	40,439	107,221
2008	61,099	37,378	98,477
2009	63,748	34,299	98,047
Thereafter	597,507	437,011	1,034,518
Total	\$ 926,664	\$ 640,508	\$ 1,567,172

In accordance with R.S. 39:562, the municipality is legally restricted from incurring long-term bonded debt in excess of 35% of the assessed value of taxable property. At June 30, 2004, the statutory limit is \$1,154,709, and outstanding bonded debt totals \$595,188.

The Town of Rosepine has a mortgage payable in the amount of \$49,594 carried on its books. This note arose years ago when a local subdivision developer paid to have Town water lines run throughout the subdivision. The Town agreed to charge new connecting customers a fee to tap into the Town water line and in turn pay the local developer. A note was signed between the Town and the land developer and the contract was honored for several years. The developer then went out of business and relocated. The Town has requested and received a legal opinion from their attorney that states the note should remain on the books but payments need not be made to the developer at this time. The Town is currently researching the note through their attorney. Any amount due under the contract as of June 30, 2004 would be immaterial to the Town's financial statements.

Town of Rosepine, Louisiana

Notes to the Financial Statements (Continued)

**12. RESERVED RETAINED EARNINGS/FUND BALANCE**

The Proprietary Fund – The Utility Fund had reserved retained earnings available as follows:

Restricted assets:	
Reserve and contingency accounts	\$ 57,279
Sinking fund	14,070
Customers' deposits	31,600
Total	<u>\$ 102,949</u>
Less:	
Liabilities payable from restricted assets:	
Customers deposits	\$ 27,550
Current portion of bond	29,739
Accrued interest on bond	2,566
Total	<u>\$ 59,855</u>
Reserved retained earnings	<u>\$ 43,094</u>

The Debt Service Fund – The debt service fund had reserved fund balance available as follows:

Reserved for debt service	<u>\$ 4,847</u>
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**13. RETIREMENT SYSTEMS**

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

A. Municipal Employees Retirement System of Louisiana (System)

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

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life equal to 2% of their final-average monthly salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3% for each year retirement precedes age 62, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100% of final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The system issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

*Funding Policy.* Under Plan B, members are required by state statute to contribute 5.0% of their annual covered salary and the Town of Rosepine is required to contribute at an actuarially determined rate. The current rate is 7.75% of annual covered payroll. Contributions to the System also include one-fourth of 1% (except Orleans and

Town of Rosepine, Louisiana

Notes to the Financial Statements (Concluded)

East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and The Town of Rosepine are established and may be amended by state statute. As provided by R.S. 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 Rosepine's contributions to the System under Plan B for the years ending June 30, 2004, 2003 and 2002, were \$5,902, \$3,885, and \$2,920, respectively, equal to the required contributions for each year.

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

*Plan Description.* All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or 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% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

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

*Funding Policy.* Plan members are required by state statute to contribute 7.5% of their annual covered salary and the Town of Rosepine is required to contribute at an actuarially determined rate. The current rate is 15.25% of annual covered payroll. The contribution requirements of plan members and the Town of Rosepine are established and may be amended by state statute. As provided by R.S. 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 Rosepine's contributions to the System for the years ending June 30, 2004, 2003 and 2002, were \$6,391, \$4,071, and \$4,162, respectively, equal to the required contributions for each year.

OTHER SUPPLEMENTAL INFORMATION



Schedule of Per Diem Paid to Board Members  
Year Ended June 30, 2004

<u>Board Member</u>	<u>Total Paid</u>
Carol Bosley	\$ 1,325
Kenneth Harper	625
Jimmy Cryar	1,325
Todd Fazio	1,250
Jerry Wells	1,300
	<u>\$ 5,825</u>

OTHER REPORTS

Schedule of Prior Year Audit Findings  
Year Ended June 30, 2004

Findings - Financial Statement Audit

There were no prior year audit findings reported as of June 30, 2003.

# John A. Windham, CPA

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John A. Windham, CPA

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

The Honorable James K. Harper, Mayor  
and the Members of the Board of Aldermen  
Town of Rosepine, Louisiana

I have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Rosepine, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the Town of Rosepine, Louisiana's basic financial statements and have issued my report thereon dated November 1, 2004. 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.

### Compliance

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

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Rosepine, 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 assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

The Honorable James K. Harper, Mayor  
Town of Rosepine, Louisiana  
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This report is intended solely for the information and use of management, others within the organization, the Board of Aldermen, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties, although under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Jeffrey L. Windham, CPA*

DeRidder, Louisiana  
November 1, 2004