

Town of Roseland

Annual Financial Statements

As of and for the Year Ended December 31, 2018
With Supplemental Information Schedules



BRUCE HARRELL & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

Town of Roseland
Annual Financial Statements
As of and for the Year Ended December 31, 2018
With Supplemental Information Schedules

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Independent Auditor's Report

Honorable Mayor Wanda McCoy and
Members of the Town Council
To the Town of Roseland
Roseland, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Roseland, Louisiana (hereinafter referred to as "Town"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Honorable Mayor Wanda McCoy and Members of the Town Council
Town of Roseland
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Roseland, Louisiana as of and for the year ended December 31, 2018, and the respective changes in the financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 10-17 and 49-53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions of the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedules listed as Other Supplemental Information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedules listed as Other Supplemental Information in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedules listed as Other Supplemental Information in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To the Honorable Mayor Wanda McCoy and Members of the Town Council
Town of Roseland
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We have previously audited, in accordance with auditing standards generally accepted in the United States, the basic financial statements for the year ended December 31, 2017, which are not presented with the accompanying financial statements, and we expressed unmodified opinions on the respective financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The information in the accompanying schedules listed as Other Supplemental Information in the table of contents related to the 2017 financial statements is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in the accompanying schedules listed as Other Supplemental Information in the table of contents related to the 2017 financial statements is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2019, based on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Roseland's internal control over financial reporting and compliance.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation
Kentwood, Louisiana

June 30, 2019

Required Supplemental Information (Part I)

Management's Discussion and Analysis

Town of Roseland
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018

Introduction

The Town of Roseland, Louisiana (the Town) is pleased 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 with current standards as more fully described in the financial statement footnotes as *Footnote 1. Summary of Significant Accounting Policies - Section B "Measurement Focus, Basis of Accounting, and Financial Statement Presentation"*.

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.

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the Town's financial statements.

Financial Highlights

- At December 31, 2018, the Town's assets exceeded its liabilities by \$2,454,186 (net position). Of this amount, \$251,061 (unrestricted net position) may be used to meet the Town's ongoing obligations to its citizens.
- The most significant on-going continuing revenue sources for governmental activities of the Town consisted of \$167,004 in sales tax revenues, \$57,513 in property taxes, \$31,940 in public utility franchise taxes, and \$57,095 for business licenses and permits. Charges for business-type activities of the utility fund were \$209,378 in water charges and \$99,718 in sewer charges.
- The Town's significant expenditures in the current year for governmental activities included \$190,148 for general governmental activities, \$191,766 for police and fire protection, and \$79,997 for public works, including streets and drainage maintenance. Expenses for business-type activities of the water, and sewer departments totaled \$339,873.
- For the year ended December 31, 2018, the Town's bonds payable on long term debt for the proprietary fund decreased by a net of \$28,311, resulting in ending bonds payable of \$354,794.

Town of Roseland
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018

Overview of the Annual Financial Report

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 supplementary information in addition to the basic financial statements.

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 activities, which normally are supported by taxes and intergovernmental revenues, and business-type activities, which rely to a significant extent on fees and charges for support are presented in separate columns along with a total column for the primary government. If the Town determines that presentation of a component unit (which are other governmental units for which the Town can exercise significant influences or for which the Primary Government financial statements would be misleading if component unit information is not presented) is necessary to allow the reader to determine the relationship of the component unit and primary government, the component unit information is presented in a separate column of the financial statements or in a separate footnote. For the current fiscal year, the Town of Roseland has no component units.

The Statement of Net Position 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 position. Over time, the increases or decreases in net position and changes in the components of net position 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 position 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 both of 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, streets and sanitation, and health and welfare. These activities are financed primarily by property taxes, franchise taxes, sales taxes, fire insurance rebates, 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 systems are reported in this section.

Town of Roseland
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule, if applicable, 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.

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 and 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. 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 the 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.

Proprietary funds account for water and sewer utility services provided by the Town to its customers. Proprietary funds statements provide the same type of information as the government-wide financial statements, but the fund presentation provides more detail.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, there are differences in the information presented for government funds and for governmental activities in the government-wide financial statements. Review of these differences provides the reader of the financial statements insight on the long-term impact of the Town's more immediate decisions on the current use of financial resources. 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.

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.

**Town of Roseland
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018**

Government-Wide Financial Analysis

As noted earlier, net position 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 position for the current year as compared to the prior year.

Net Position						
2018 and 2017						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Assets:						
Current and Other Assets	\$ 387,955	\$ 462,169	\$ 270,247	\$ 266,060	\$ 658,202	\$ 728,229
Capital Assets	1,196,557	586,800	1,255,614	1,344,261	2,452,171	1,931,061
Total Assets	<u>1,584,512</u>	<u>1,048,969</u>	<u>1,525,861</u>	<u>1,610,321</u>	<u>3,110,373</u>	<u>2,659,290</u>
Liabilities:						
Long-Term Debt Outstanding	-	-	324,653	354,796	324,653	354,796
Other Liabilities	79,195	25,735	252,339	280,997	331,534	306,732
Total Liabilities	<u>79,195</u>	<u>25,735</u>	<u>576,992</u>	<u>635,793</u>	<u>656,187</u>	<u>661,528</u>
Net Position:						
Net Investment in Capital Assets	1,196,557	586,800	900,820	961,156	2,097,377	1,547,956
Restricted	-	-	105,748	97,478	105,748	97,478
Unrestricted	308,760	436,434	(57,699)	(84,106)	251,061	352,328
Total Net Position	<u>\$ 1,505,317</u>	<u>\$ 1,023,234</u>	<u>\$ 948,869</u>	<u>\$ 974,528</u>	<u>\$ 2,454,186</u>	<u>\$ 1,997,762</u>

Approximately eighty-five percent of the Town's net position reflects its investment in capital assets (land, buildings, equipment, infrastructure, 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 four percent of the Town's net position represents resources that are subject to external restriction on how they may be used. The Town's restricted net position primarily consists of cash for capital projects in governmental activities and cash reserves required for customer deposits in business-type activities net of corresponding liabilities. Approximately eleven percent of the Town's net position is 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 position, both for the Town as a whole, as well as for separate governmental activities. The business-type activities reported a negative balance in unrestricted net position. The Town's activities increased its total net position by \$456,424, with governmental activities increasing net position by \$482,083 and business-type activities decreasing net position by \$25,659.

In order to further understand what makes up the changes in net position, the following table provides a summary of the results of the Town's activities for the current year as compared to the prior year. An analysis of the primary sources of these changes follows the table.

Town of Roseland
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018

Changes in Net Position
For the years ended December 31, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	\$ 85,664	\$ 71,917	\$ 324,663	\$ 283,481	\$ 410,327	\$ 355,398
Operating Grants and Contributions	-	-	9,747	10,000	9,747	10,000
Capital Grants and Contributions	560,971	40,238	-	-	560,971	40,238
General Revenues:						
Taxes	256,457	296,612	-	-	256,457	296,612
Intergovernmental	36,257	73,628	-	12,647	36,257	86,275
Interest Income	1,376	1,251	1,433	1,440	2,809	2,691
Donations	600	11,435	-	-	600	11,435
Miscellaneous	2,669	3,411	1,591	2,770	4,260	6,181
Building Lease Proceeds	-	67,000	-	-	-	67,000
Total Revenues	943,994	565,492	337,434	310,338	1,281,428	875,830
Expenses:						
General Government	190,148	187,337	-	-	190,148	187,337
Public Safety	191,766	254,545	-	-	191,766	254,545
Public Works	79,997	88,603	-	-	79,997	88,603
Capital Lease Interest	-	-	-	-	-	-
Water and Sewer Utility	-	-	363,093	356,622	363,093	356,622
Total Expenses	461,911	530,485	363,093	356,622	825,004	887,107
Change in Net Assets Before Transfers	482,083	35,007	(25,659)	(46,284)	456,424	(11,277)
Transfers (Out) In	-	-	-	-	-	-
Change in Net Position	482,083	35,007	(25,659)	(46,284)	456,424	(11,277)
Net Position, Beginning	1,023,234	988,227	974,528	1,020,812	1,997,762	2,009,039
Net Position, Ending	\$ 1,505,317	\$ 1,023,234	\$ 948,869	\$ 974,528	\$ 2,454,186	\$ 1,997,762

**Town of Roseland
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018**

Governmental Activities

The Town's governmental net position increased by \$482,083 as compared to a prior fiscal year net position increase of \$35,007.

The significant factors in this change in net position are the result of a \$520,733 increase in capital grants, offset by decreases of \$67,000 in building lease proceeds.

Total expenses in governmental activities decreased \$68,574. Fire supplies decreased by \$23,163. Police salaries decreased by \$18,238. Fire equipment repairs decreased by \$12,776. Street depreciation expense decreased by \$8,961.

Business-Type Activities

The Town's business-type net position decreased by \$25,659 or three percent of prior year ending net position, to \$948,869. Charges for services increased by fifteen percent or \$41,182. Intergovernmental revenue decreased by \$12,647. Expenses for the utility fund increased \$6,471 or two percent. There were increases in contract services of \$6,920, professional fees of \$3,261, repairs and maintenance of \$3,117, utilities of \$2,486, and insurance of \$1,868. Salaries decreased \$9,964.

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, unassigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the year. At the end of the current year, the Town's governmental funds reported combined ending fund balances of \$296,202. Fund balance was as follows: non-spendable \$4,915, assigned \$113,530, and unassigned \$177,757.

This represents a decrease of \$133,805, for all governmental funds, from the prior year's ending fund balance. 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 \$181,022. All funds had a positive ending fund balance.

Proprietary Funds

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

Governmental Fund Budgetary Highlights

Budget information is detailed in Note 2 – *Stewardship, Compliance, and Accountability*. As required by state law, General Fund actual revenues and other sources were within five percent of budgeted revenues and actual expenditures did not exceed budgeted expenditures by five percent. The Fire Fund (Special Revenue Fund) actual revenues and other sources were less than five percent of budgeted revenues; however, actual expenditures did not exceed budgeted expenditures by five percent. *Footnote 2* lists budget to-actual reports for other governmental funds, which are presented in the Required Supplementary Information as Schedules 1 – 3.

Town of Roseland
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018

Capital Assets and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of December 31, 2018 amounts to \$2,452,171 (net of depreciation). The total increase in the Town's investment in capital assets for the current fiscal year was \$521,110 (net of depreciation). The following table provides a summary of the Town's capital assets (net of depreciation) at the end of the current year as compared to the prior year.

Capital Assets (Net of Depreciation)
2018 and 2017

Capital Assets	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 58,693	\$ 58,693	\$ 6,500	\$ 6,500	\$ 65,193	\$ 65,193
Buildings and Improvements	818,742	716,830	20,640	20,640	839,382	737,470
Machinery and Equipment	637,184	637,184	36,428	36,428	673,612	673,612
Construction in Progress	594,541	40,941	-	-	594,541	40,941
Water Utility System	-	-	2,131,847	2,131,847	2,131,847	2,131,847
Sewer Utility System	-	-	2,172,712	2,150,807	2,172,712	2,150,807
Subtotal Capital Assets	2,109,160	1,453,648	4,368,127	4,346,222	6,477,287	5,799,870
Less: Accumulated Depreciation	(912,603)	(866,848)	(3,112,513)	(3,001,961)	(4,025,116)	(3,868,809)
Capital Assets, Net	\$ 1,196,557	\$ 586,800	\$ 1,255,614	\$ 1,344,261	\$ 2,452,171	\$ 1,931,061

Significant capital additions for the fiscal year ending December 31, 2018, consisted of the following. For governmental funds, \$553,600 in expenditures relating to the LCDBG project recorded as Construction in Progress, Town Hall renovations of \$67,912, Town Hall parking lot improvements of \$9,000, and fire building improvements of \$25,000. Proprietary fund additions included \$21,905 for sewer improvements.

Long-Term Debt

At December 31, 2018, the Town had total debt outstanding of \$354,794. Of this total, \$30,141 (including current bonds payable) is due within one year and \$324,653 is due within greater than one year. The following table provides a summary of the Town's outstanding debt at the end of the current year as compared to the prior year.

Outstanding Debt
2018 and 2017

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Capital Leases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue Bonds	-	-	354,794	383,105	354,794	383,105
Total Outstanding Debt	\$ -	\$ -	\$ 354,794	\$ 383,105	\$ 354,794	\$ 383,105

**Town of Roseland
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018**

Other Factors Affecting the Town

The Town of Roseland's management approach is conservative. When possible, the Mayor and Aldermen attempt to provide services for the Town based on existing revenues and to borrow for long-term projects only when absolutely necessary, actively pursuing grant funds to minimize the cost of major projects. The Town is facing increasing costs and has an obligation to its citizens to maintain or increase the level of services being provided.

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. If you have questions regarding this report or need additional information, contact Wanda McCoy, Mayor, P.O. Box 302, Roseland, Louisiana 70456, Phone (985) 748-9063.

Basic Financial Statements

Government-Wide Financial Statements

Town of Roseland
Statement of Net Position
As of December 31, 2018

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 115,111	\$ 15,624	\$ 130,735
Receivables, Net:			
Intergovernmental	77,338	-	77,338
Ad Valorem Taxes	43,807	-	43,807
Accounts and Other	8,254	76,088	84,342
Due From Other Funds	138,530	125	138,655
Prepaid Insurance	4,915	2,798	7,713
Total Current Assets	387,955	94,635	482,590
Restricted Assets:			
Restricted Cash and Cash Equivalents	-	175,612	175,612
Total Restricted Assets	-	175,612	175,612
Capital Assets:			
Land	58,693	6,500	65,193
Construction in Progress	594,541	-	594,541
Capital Assets, Net	543,323	1,249,114	1,792,437
Total Capital Assets	1,196,557	1,255,614	2,452,171
Total Assets	1,584,512	1,525,861	3,110,373
Liabilities			
Current Liabilities:			
Accounts Payable	10,794	6,875	17,669
Other Accrued Payables	68,276	6,401	74,677
Due To Other Funds	125	138,530	138,655
Customer Deposits	-	69,864	69,864
Bonds Payable	-	30,141	30,141
Accrued Interest on Long Term Debt	-	528	528
Total Current Liabilities	79,195	252,339	331,534
Long Term Liabilities:			
Bonds Payable	-	324,653	324,653
Total Long Term Liabilities	-	324,653	324,653
Total Liabilities	79,195	576,992	656,187
Net Position			
Net Investment in Capital Assets	1,196,557	900,820	2,097,377
Restricted for:			
Capital Projects and Debt Service	-	105,748	105,748
Unrestricted	308,760	(57,699)	251,061
Total Net Position	\$ 1,505,317	\$ 948,869	\$ 2,454,186

The accompanying notes are an integral part of this statement

Town of Roseland
Statement of Activities
For the year ended December 31, 2018

	<u>Program Revenues</u>				<u>Net (Expenses) Revenues and Changes of Primary Government</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants & Contri- butions</u>	<u>Capital Grants & Contri- butions</u>	<u>Net (Expenses) Revenues</u>	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Governmental Activities								
General Government	\$ 190,148	\$ 85,664	\$ -	\$ 6,669	\$ (97,815)	\$ (97,815)	\$ -	\$ (97,815)
Public Safety	191,766	-	-	-	(191,766)	(191,766)	-	(191,766)
Public Works	79,997	-	-	554,302	474,305	474,305	-	474,305
Total Governmental Activities	<u>\$ 461,911</u>	<u>\$ 85,664</u>	<u>\$ -</u>	<u>\$ 560,971</u>	<u>\$ 184,724</u>	<u>\$ 184,724</u>	<u>\$ -</u>	<u>\$ 184,724</u>
Business-type Activities								
Water and Sewer	\$ 339,873	\$ 324,663	\$ 9,747	\$ -	\$ (5,463)	\$ -	\$ (5,463)	\$ (5,463)
Bond Interest	23,220	-	-	-	(23,220)	-	(23,220)	(23,220)
Total Business-type Activities	<u>\$ 363,093</u>	<u>\$ 324,663</u>	<u>\$ 9,747</u>	<u>\$ -</u>	<u>\$ (28,683)</u>	<u>\$ -</u>	<u>\$ (28,683)</u>	<u>\$ (28,683)</u>
General Revenues:								
Taxes:								
Property Taxes						57,513	-	57,513
Sales Taxes						167,004	-	167,004
Franchise Taxes						31,940	-	31,940
Intergovernmental						7,835	-	7,835
FEMA						28,422	-	28,422
Interest Income						1,376	1,433	2,809
Donations						600	-	600
Miscellaneous						2,669	1,591	4,260
Total General Revenues and Transfers						<u>297,359</u>	<u>3,024</u>	<u>300,383</u>
Change in Net Position						<u>482,083</u>	<u>(25,659)</u>	<u>456,424</u>
Net Position - Beginning						<u>1,023,234</u>	<u>974,528</u>	<u>1,997,762</u>
Net Position - Ending						<u>\$ 1,505,317</u>	<u>\$ 948,869</u>	<u>\$ 2,454,186</u>

The accompanying notes are an integral part of this statement

Basic Financial Statements

Fund Financial Statements

Town of Roseland
Balance Sheet - Governmental Funds
As of December 31, 2018

	General Fund	Fire Protection Special Revenue Fund	Total Governmental Funds
Assets			
Cash	\$ 26,316	\$ 88,795	\$ 115,111
Receivables, Net:			
Intergovernmental	77,338	-	77,338
Ad Valorem Taxes	15,645	28,162	43,807
Accounts and Other	8,254	-	8,254
Due From Other Funds	140,021	5,858	145,879
Prepaid Insurance	3,265	1,650	4,915
Total Assets	\$ 270,839	\$ 124,465	\$ 395,304
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Accounts Payable	\$ 10,273	\$ 521	\$ 10,794
Retainage Payable	27,246	-	27,246
Construction Payable	36,504	-	36,504
Other Accrued Expenses	4,526	-	4,526
Due to Other Funds	6,681	793	7,474
Total Liabilities	85,230	1,314	86,544
Deferred Inflows of Resources:			
Unavailable Ad Valorem Taxes	4,587	7,971	12,558
Total Deferred Inflows of Resources	4,587	7,971	12,558
Fund Balances:			
Nonspendable	3,265	1,650	4,915
Assigned	-	113,530	113,530
Unassigned Fund Balances	177,757	-	177,757
Total Fund Balances	181,022	115,180	296,202
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 270,839	\$ 124,465	\$ 395,304

The accompanying notes are an integral part of this statement.

Town of Roseland
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Financial Statement of Net Position
As of December 31, 2018

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund Balances, Total Governmental Funds (Statement C)	\$ 296,202
Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds.	
Governmental capital assets net of depreciation	1,196,557
Ad valorem taxes collected after year-end, but not available soon enough to pay for current expenditures	12,558
Net Position of Governmental Activities (Statement A)	<u>\$ 1,505,317</u>

The accompanying notes are an integral part of this statement

Statement E

Town of Roseland
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the year ended December 31, 2018

	<u>General Fund</u>	<u>Fire Protection Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 218,700	\$ 31,626	\$ 250,326
Licenses and Permits	57,095	-	57,095
Intergovernmental	597,228	-	597,228
Fines and Forfeitures	28,569	-	28,569
Interest	599	777	1,376
Donations	600	-	600
Other	2,669	-	2,669
Total Revenues	<u>905,460</u>	<u>32,403</u>	<u>937,863</u>
Expenditures			-
General Government	167,170	-	167,170
Public Safety:			-
Police	130,957	-	130,957
Fire	5,380	35,654	41,034
Public Works	76,995	-	76,995
Capital Outlays	630,512	25,000	655,512
Total Expenditures	<u>1,011,014</u>	<u>60,654</u>	<u>1,071,668</u>
Excess of Revenues Over (Under)			
Expenditures	<u>(105,554)</u>	<u>(28,251)</u>	<u>(133,805)</u>
Net Change in Fund Balances	<u>(105,554)</u>	<u>(28,251)</u>	<u>(133,805)</u>
Fund Balances, Beginning	286,576	143,431	430,007
Fund Balances, Ending	<u>\$ 181,022</u>	<u>\$ 115,180</u>	<u>\$ 296,202</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, 2018

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances, Total Governmental Funds, Statement E \$ (133,805)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets are 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.

Expenditures for capital assets		
Capital asset additions	\$ 655,512	
Less:		
Current year depreciation	<u>(45,755)</u>	609,757

Deferred inflows of resources for ad valorem taxes collected after year end, but not available soon enough to pay for current expenditures changed by the following amount.

6,131

Change in Net Position of Governmental Activities, Statement B	\$ <u>482,083</u>
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The accompanying notes are an integral part of this statement

Town of Roseland
Statement of Net Position - Proprietary Funds
As of December 31, 2018

Statement G

Assets

Current Assets:

Cash and Cash Equivalents	\$	15,624
Accounts Receivables, Net		74,771
Other Receivables		1,317
Due From Other Funds		125
Prepaid Insurance		2,798
Total Current Assets		94,635

Restricted Assets:

Restricted Cash and Cash Equivalents		175,612
Total Restricted Assets		175,612

Capital Assets

Land		6,500
Capital Assets, Net		1,249,114
Total Capital Assets		1,255,614

Total Assets

1,525,861

Liabilities

Current Liabilities (Payable From Current Assets):

Accounts Payable		6,875
Other Accrued Payables		6,401
Due To Other Funds		138,530
Total Current Liabilities (Payable From Current Assets)		151,806

Current Liabilities (Payable From Restricted Assets):

Customer Deposits		69,864
Revenue Bonds Payable		30,141
Interest Payable on Long Term Debt		528
Total Current Liabilities (Payable From Restricted Assets)		100,533

Long Term Liabilities:

Bonds Payable		324,653
Total Long Term Liabilities		324,653

Total Liabilities

576,992

Net Position

Net Investment in Capital Assets		900,820
Restricted for:		
Capital Projects and Debt Service		105,748
Unrestricted		(57,699)
Total Net Position		(57,699)

Total Net Position

\$ 948,869

The accompanying notes are an integral part of this statement.

Town of Roseland
Statement of Revenues, Expenses and
Changes in Net Position - Proprietary Funds
For the year ended December 31, 2018

Statement H

	Business-Type Activities
	Utility Fund
Operating Revenues	
Water Sales	\$ 209,378
Sewer Service Charges	99,718
Penalties	13,047
Intergovernmental	9,747
Other	4,111
Total Operating Revenues	336,001
Operating Expenses	
Bad Debts	20
Contract Services	24,320
Depreciation	110,552
Insurance	19,322
Payroll Taxes	4,863
Professional Fees	18,461
Repairs and Maintenance	58,646
Salaries and Wages	63,569
Supplies	7,893
Utilities	23,375
Other	8,852
Total Operating Expenses	339,873
Operating Income (Loss)	(3,872)
Nonoperating Revenues (Expenses)	
Interest Income	1,433
Interest Expense	(23,220)
Total Nonoperating Revenues (Expenses)	(21,787)
Change in Net Position	(25,659)
Total Net Position, Beginning	974,528
Total Net Position, Ending	\$ 948,869

The accompanying notes are an integral part of this statement.

Statement I

**Town of Roseland
Statement of Cash Flows -
Proprietary Funds
For the year ended December 31, 2018**

	<u>Enterprise Fund</u>
Cash Flows From Operating Activities	
Received From Customers	\$ 311,231
Received for Meter Deposit Fees	3,010
Other Receipts	13,380
Receipt for Interfund Services	(33,801)
Payments for Operations	(160,761)
Payments to Employees	(68,432)
Net Cash Provided (Used) by Operating Activities	<u>64,627</u>
Cash Flows From Capital and Related Financing Activities	
Payments for Capital Acquisitions	(21,905)
Repayments for Long Term Debt	(28,311)
Interest Payments for Long Term Debt	(23,262)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(73,478)</u>
Cash Flows From Investing Activities	
Receipt of Interest	1,433
Net Cash Provided (Used) by Investing Activities	<u>1,433</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(7,418)
Cash and Cash Equivalents, Beginning of Year	<u>198,654</u>
Cash and Cash Equivalents, End of Year	<u>\$ 191,236</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:	
Cash and Cash Equivalents, Unrestricted	\$ 15,624
Cash and Cash Equivalents, Restricted	175,612
Total Cash and Cash Equivalents	<u>\$ 191,236</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ (3,872)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	110,552
(Increase) Decrease in Accounts Receivable	(10,912)
Decrease in Other Receivable	(478)
(Increase) Decrease in Prepaid Insurance	(90)
Decrease in Due (to) and from Other Funds	(33,801)
(Decrease) Increase in Accounts Payable	811
(Decrease) Increase in Accrued Expenses	(593)
(Decrease) Increase in Customer Deposits	3,010
Net Cash Provided by Operating Activities	<u>\$ 64,627</u>

The accompanying notes are an integral part of this statement.

Basic Financial Statements

Notes to the Financial Statements

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

Introduction

The Town of Roseland was incorporated 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 approximately 1,123, per the 2010 U.S. Census. The Town operates under a Board of Councilman – 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.

Utility services are provided for 557 water customers, and 304 sewer customers. The Town employs approximately five full-time employees in addition to the Mayor and Board of Aldermen.

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*.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining the reporting entity and component units that should be included within the reporting entity. Under provisions of this statement, the Town of Roseland 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 and local governments. As used in GASB Statement No. 14, fiscally independent means that the Town 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. There are no other component units which the Town of Roseland has an oversight relationship.

1. Summary of Significant Accounting Policies

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the primary government and its component units. 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. Likewise, a primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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.

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

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. Major individual governmental funds and major individual enterprise funds are presented as separate columns in the fund financial statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accompanying basic financial statements of the Town of Roseland have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999, and as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. 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*.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for financial statement periods ending after December 15, 2012, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined *Deferred Outflows of Resources* as a consumption of net position by the government that is applicable to a future reporting period, and *Deferred Inflows of Resources* as an acquisition of net position by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement 4 identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The definition and reporting of net position is further described in *Footnote K—Fund Equity and Net Position*.

The Town has also adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The application of this standard to long-term debt offerings of the Town is more fully described in *Footnote J—Long-Term Offerings*.

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

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

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. 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. Only the portion of special assessment receivable, if any, due within the current fiscal period is considered to be susceptible to accrual as revenue of the current 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.

The *Fire Protection Special Revenue Fund* accounts for the receipt and disbursement of a ten-year ten mill ad valorem tax dedicated for acquiring, constructing, improving, maintaining, and operating facilities and equipment to provide fire protection and emergency medical service.

The Town reports the following major proprietary funds:

The *Enterprise Funds* account for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user fees, 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. The Town maintains one Enterprise fund, the Waterworks and Sewer Fund, which provides water and sewer services.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule, if applicable, 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.

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when the liability is incurred or economic asset used. 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 charges for the services provided by the enterprise funds. 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.

When restricted, committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds as needed, unless it has been provided for otherwise in the restriction, commitment, or assignment actions.

C. Deposits and Investments

The Town'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 Town's investment policy allow the Town to invest in collateralized certificates of deposit, government-backed securities, commercial paper, the state-sponsored investment pool, and mutual funds consisting solely of government-backed securities.

Investments for the Town are reported at fair market value. The state investment pool, LAMP, operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Statutes allow the Town to deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, as well as invest in United States bonds, treasury notes, or certificates. These are classified as investments if their maturities exceed 90 days; however, if the maturities are 90 or less, they are classified as cash equivalents.

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.

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

All trade and property tax receivables are shown net of an allowance for uncollectible amounts.

E. Ad Valorem and Sales Taxes

The Town is permitted by the Municipal Finance Law of the state to levy taxes up to 15.66 mills on the total assessed value for the Town for governmental services other than the payment of principal and interest on long term debt and in required amounts for the payment of principal and interest on long term debt. For the year ended December 31, 2018 taxes of 15.63 mills were levied on property with taxable assessed valuations totaling \$3,746,842 for a total of \$58,563. The taxes were dedicated for general and fire protection purposes.

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The taxes are generally collected in December of the current year, and January and February of the ensuing year. The following is a summary of authorized and levied ad valorem taxes

	Authorized Millage	Levied Millage
General Alimony	5.74 mills	5.71 mills
Fire Protection	9.92 mills	9.92 mills

Sales and use taxes are levied at one percent as authorized by Ordinance Number 158 adopted November 6, 1967. An additional one percent sales and use tax was authorized by the adoption of Ordinance Number 182, which revised and extended the sales tax to two percent effective April 12, 1982 for perpetuity. The original tax ordinance includes a range of eligible expenditures including expenditures for streets and drainage facilities, sewerage and disposal facilities, fire or police department stations, equipment, and furnishings, public parks and recreational facilities, works of permanent public improvement, equipment and furnishings for public improvements and facilities, and expenditures for general operating expenses of the Town.

F. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out method. Inventories of the governmental funds are recorded as expenditures when consumed rather than when purchased. 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.

G. Restricted Assets

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

H. 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

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

estimated fair market value at the date of donation. The municipality maintains a threshold level of \$500 or more for capitalizing capital assets.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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.

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>
Buildings & Improvements	20 - 40 Years
Machinery and Equipment	5 - 15 Years
Water Utility System	20 - 50 Years
Sewer Utility System	20 - 50 Years

I. 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 one year, five days of leave, after two years, ten days and after four years, fifteen days.

Annual leave accrues without limit. Leave is paid to an employee at the 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. No liability is recorded for leave 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 ninety 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.

J. Long-Term Offerings

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 position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are now expensed in the period incurred under GASB 65.

The Town has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and with the implementation of GASB 65, the recognition of bond-related costs, including the costs related to issuance and refunding of debt, were revised. This standard was intended to compliment GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of*

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

Resources, and Net Position. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are now expended in the period incurred under GASB 65. The Town did not have any bond related costs in the year ending December 31, 2018.

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.

K. Fund Equity and Net Position

GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*, required reclassification of net assets into three separate components. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, revised the terminology by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. GASB Statement No. 63 for the government-wide financial statements requires the following components of net position:

- **Net Investment in Capital Assets** - The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.
- **Restricted Net Position** - The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- **Unrestricted Net Position** - The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

In the fund statements, governmental fund equity is classified as fund balance. The Town adopted GASB 54 for the year ended December 31, 2011. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

Town of Roseland
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- **Nonspendable.** These are amounts that cannot be spent either, because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. Nonspendable reflects prepaid insurance in the amount of \$4,915.
- **Restricted.** These are amounts that can be spent only for specific purposes, because of constitutional provisions, enabling legislation or constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- **Committed.** These are amounts that can be used only for specific purposes determined by a formal decision of the Board, which is the highest level of decision-making authority. To be reported as committed amounts, these cannot be used for any other purposes unless the government takes the same highest-level action to remove or change the constraint.
- **Assigned.** These are amounts that do not meet the criteria to be classified as restricted or committed, but are intended to be used for specific purposes based on the discretion of the Board.
- **Unassigned.** These are all other spendable amounts that are available for any purpose. Positive amounts are reported only in the general fund. Also, within other governmental funds, these include expenditure amounts incurred for specific purposes which exceed the amounts restricted, committed, or assigned to those purposes.

L. Comparative Data/Reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2017, from which the comparative data was derived.

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation. All prior period adjustments recorded in the current period have been reflected in prior period data presented wherever possible.

M. 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.

N. 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

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O. Reconciliations of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position is presented in Statement D of the basic financial statements. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities is presented in Statement F of the basic financial statements.

2. Stewardship, Compliance and Accountability

The Town uses the following budget practices:

1. The Town Clerk prepares a proposed budget and submits same to the Mayor and Town Council 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 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 the increase in expenditures resulting from revenues exceeding amounts estimated require the approval of the Town Council.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for the general and enterprise funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgets for enterprise funds are presented on the accrual basis of accounting. Other governmental funds are presented on the modified accrual basis of accounting. Accordingly, the budgetary comparison schedules present actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. All budgetary amounts presented reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

The proposed budget for December 31, 2018 was made available for public inspection November 29, 2017. The proposed budget, prepared on the modified accrual basis of accounting, was published on November 29, December 6, and December 13, 2017, prior to the public hearing which was held at the Town of Roseland's City Hall on December 14, 2017, for comments by taxpayers. The budget was legally adopted by the Town Council on December 14, 2017.

The amended budget for December 31, 2018 was made available for public inspection on November 30, 2018. The amended budget, prepared on the modified accrual basis of accounting, was published on

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

November 30, December 5, and December 12, 2018, prior to the public hearing which was held at the Town of Roseland's City Hall on December 12, 2018, for comments by taxpayers. The amended budget was legally adopted by the Town Council on December 12, 2018.

As required by state law, General Fund actual revenues and other sources were within five percent of budgeted revenues and actual expenditures did not exceed budgeted expenditures by five percent. The Fire Fund (Special Revenue Fund) actual revenues and other sources were less than five percent of budgeted revenues; however, actual expenditures did not exceed budgeted expenditures by five percent.

3. Cash and Cash Equivalents

At December 31, 2018, the Town has cash and cash equivalents (book balances), as follows:

Demand Deposits	\$ <u>306,347</u>
	\$ <u><u>306,347</u></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.

Custodial credit risk as it relates to cash deposits is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2018, the Town has \$417,858 in deposits (collected bank balances), within one bank, consisting of demand deposits. The demand deposits are secured from risk by \$250,000 of federal deposit insurance and \$167,858 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The \$167,858 of pledged securities are exposed to custodial credit risk because while the amount is secured by pledged securities, such securities are 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 by the municipality that the fiscal agent has failed to pay deposited funds upon demand.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a formal policy for custodial risk. However, 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.

4. Investments

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the town or its agent in the Town's name
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Town's name
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Town's name

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

At December 31, 2018, the Town's did not hold any investments.

When held, all investments are typically stated on the balance sheet (carrying value) at market value. All investments are in the name of the Town and are held at the Town's office. Because these investments are in the name of the Town and are held by the Town or the Town's agent, the investments are considered insured and registered, Category (1), in applying the credit risk of GASB Codification Section 150.164.

Interest Rate Risk: The Town does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value arising from increasing interest rates.

5. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts are based upon historical trends and the period aging and write-off of accounts receivable. Major receivables balances for the governmental activities include sales taxes, franchise taxes, occupational licenses, and fines. Business-type activities report utilities earnings as their major receivable.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise taxes, occupational licenses, fines, 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 only if paid within 60 days since they would be considered both measurable and available. Proprietary fund revenues consist of all revenues earned at year-end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging and write-off of accounts receivable.

The Governmental Fund receivables at December 31, 2018 consist of the following:

Government Receivables	General Fund	Special Revenue Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Taxes:			
Ad Valorem	\$ 15,645	\$ 28,162	\$ 43,807
Sales Tax Receivable	13,588	-	13,588
Franchise Tax	8,182	-	8,182
Intergovernmental:			-
LCDBG Grant	63,750	-	63,750
Other Receivables	72	-	72
Total Government Receivables	<u>\$ 101,237</u>	<u>\$ 28,162</u>	<u>\$ 129,399</u>

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

The Enterprise Fund accounts receivable at December 31, 2018 consist of the following: **Enterprise**

Accounts Receivable	<u>Enterprise Fund</u>
Current	\$ 27,483
31 - 60 Days	5,185
61 - 90 Days	4,674
91 - 120 Days	2,554
Over 120 Days	<u>51,316</u>
Subtotal	91,212
Less Allowance for Bad Debt	<u>(21,250)</u>
Accounts Receivables, Net	69,962
Unbilled Receivables	<u>4,809</u>
Total Accounts Receivable	<u><u>\$ 74,771</u></u>

6. Restricted Assets

The following is a listing of the restricted assets for the fund financial statements on December 31, 2018:

The Restricted Assets for all funds at December 31, 2018 consist of the following:

Restricted Assets	General Fund	Special Revenue Funds	Enterprise Fund	Total
Cash and Cash Equivalents				
Customer Deposits	\$ -	\$ -	\$ 72,999	\$ 72,999
Bond Reserve Account	-		53,007	53,007
Bond Contingency Account	-		49,606	49,606
Total Restricted Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,612</u>	<u>\$ 175,612</u>

7. Interfund Receivables/Payables

The following is a detailed list of interfund balances for fund financial statements on December 31, 2018:

Interfund Balances	Due From Other Funds	Due To Other Funds
General Fund		
Volunteer Fire Fund	\$ 793	\$ 5,858
Enterprise Fund	139,228	823
Special Revenue Funds		
Volunteer Fire Fund		
General Fund	5,858	793
Enterprise Fund		
General Fund	<u>125</u>	<u>138,530</u>
Total Interfund Balances	<u>\$ 146,004</u>	<u>\$ 146,004</u>

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

8. Capital Assets

The following is a summary of the changes in capital assets for governmental activities for the fiscal year ended December 31, 2018:

Governmental Activities Capital Assets:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 58,693	\$ -	\$ -	\$ 58,693
Construction in Progress	40,941	553,600	-	594,541
Total Capital Assets Not Being Depreciated	<u>99,634</u>	<u>553,600</u>	<u>-</u>	<u>653,234</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	716,830	101,912	-	818,742
Machinery and Equipment	637,184	-	-	637,184
Total Capital Assets Being Depreciated	<u>1,354,014</u>	<u>101,912</u>	<u>-</u>	<u>1,455,926</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(302,592)	(22,541)	-	(325,133)
Machinery and Equipment	(564,256)	(23,214)	-	(587,470)
Total Accumulated Depreciation	<u>(866,848)</u>	<u>(45,755)</u>	<u>-</u>	<u>(912,603)</u>
Total Capital Assets Being Depreciated, Net	<u>487,166</u>	<u>56,157</u>	<u>-</u>	<u>543,323</u>
Total Governmental Activities Capital Assets, Net	\$ <u>586,800</u>	\$ <u>609,757</u>	\$ <u>-</u>	\$ <u>1,196,557</u>
Depreciation was charged to governmental functions as follows:				
General Government			\$ 22,978	
Public Safety - Police			6,239	
Public Safety - Fire			13,536	
Public Works			3,002	
			<u>\$ 45,755</u>	

Significant capital additions for the fiscal year ending December 31, 2018, consisted of the following. For governmental funds, \$553,600 in expenditures relating to the LCDBG project recorded as Construction in Progress, Town Hall renovations of \$67,912, Town Hall parking lot improvements of \$9,000, and fire building improvements of \$25,000.

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

Capital assets and depreciation activity as of and for the year ended December 31, 2018 for business-type activities is as follows:

Business - Type Activities Capital Assets:	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 6,500	\$ -	\$ -	\$ 6,500
Construction in Progress	-	-	-	-
Total Capital Assets Not Being Depreciated	<u>6,500</u>	<u>-</u>	<u>-</u>	<u>6,500</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	20,640	-	-	20,640
Machinery and Equipment	36,428	-	-	36,428
Water Utility System	2,131,847	-	-	2,131,847
Sewer Utility System	2,150,807	21,905	-	2,172,712
Total Capital Assets Being Depreciated	<u>4,339,722</u>	<u>21,905</u>	<u>-</u>	<u>4,361,627</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(20,640)	-	-	(20,640)
Machinery and Equipment	(26,170)	(4,403)	-	(30,573)
Water Utility System	(1,512,747)	(39,722)	-	(1,552,469)
Sewer Utility System	(1,442,404)	(66,427)	-	(1,508,831)
Total Accumulated Depreciation	<u>(3,001,961)</u>	<u>(110,552)</u>	<u>-</u>	<u>(3,112,513)</u>
Total Capital Assets Being Depreciated, Net	<u>1,337,761</u>	<u>(88,647)</u>	<u>-</u>	<u>1,249,114</u>
Total Business - Type Activities Capital Assets, Net	\$ <u>1,344,261</u>	\$ <u>(88,647)</u>	\$ <u>-</u>	\$ <u>1,255,614</u>

Proprietary fund additions included \$21,905 for sewer improvements.

9. Interfund Transfers

There were no interfund transfers between funds for the year ended December 31, 2018.

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

10. Accounts, Salaries, and Other Payables

Fund payables at December 31, 2018 are as follows:

Funds Payable	General Fund	Volunteer Fire Fund	Utility Fund	Total
Accounts	\$ 10,273	\$ 521	\$ 6,875	\$ 17,669
Payroll Tax Related Liabilities	4,526	-	-	4,526
Other	-	-	6,401	6,401
Total Funds Payable	\$ 14,799	\$ 521	\$ 13,276	\$ 28,596

11. Short-Term Debt

The Town had no short-term debt outstanding at December 31, 2018, other than the current portions of revenue bonds payables described in the long-term debt footnote.

12. Capital Leases

The Town records items under capital leases as an asset and an obligation in the accompanying financial statements. At December 31, 2018, the Town had no capital leases.

13. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended December 31, 2018:

	Governmental Activities		Business-Type Activities		Total Long-Term Obligations
	Capital Leases	Certificates of Indebtedness	Capital Leases	Revenue Bonds	
Beginning Balance	\$ -	\$ -	\$ -	\$ 383,105	\$ 383,105
Additions	-	-	-	-	-
Deletions					
Scheduled Payments	-	-	-	(28,311)	(28,311)
Ending Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 354,794</u>	<u>\$ 354,794</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 the long-term obligations:

	Governmental Activities			Business-Type Activities			Total Long-Term Obligations
	Current Portion	Long Term Portion	Total	Current Portion	Long Term Portion	Total	
Governmental Activities							
Capital Leases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue Bonds	-	-	-	30,141	324,653	354,794	354,794
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,141</u>	<u>\$ 324,653</u>	<u>\$ 354,794</u>	<u>\$ 354,794</u>

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

Bonds Payable as of December 31, 2018 are as follows:

	Bonds Payable End of Year	Due Within One Year
Business Type: \$ 472,500 of Sewer Revenue Bonds, Series A Dated 01/22/88 , due in monthly installments of principal and interest of \$2,758 , through 01/22/2028, interest at 6.34%.	\$ 224,012	\$ 19,373
Business Type: \$ 272,000 of Sewer Revenue Bonds, Series B Dated 5/23/88 , due in monthly installments of principal and interest of \$1,540 , through 05/23/2028, interest at 6.125%.	130,782	10,768
	\$ 354,794	\$ 30,141

The annual requirements to amortize all debt outstanding at December 31, 2018, including interest payments of \$111,060 are as follows:

Year Ending 12/31/18	\$472,500 Utility Revenue Bonds 91-01			\$272,000 Utility Revenue Bonds 92-03			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 19,373	\$ 13,721	\$ 33,094	\$ 10,768	\$ 7,712	\$ 18,480	\$ 30,141	\$ 21,433	\$ 51,574
2020	20,644	12,450	33,094	11,447	7,033	18,480	32,091	19,483	51,574
2021	22,000	11,094	33,094	12,168	6,312	18,480	34,168	17,406	51,574
2022	23,444	9,650	33,094	12,934	5,546	18,480	36,378	15,196	51,574
2023	24,983	8,111	33,094	13,749	4,731	18,480	38,732	12,842	51,574
2024 to 2028	113,568	14,937	128,505	69,715	9,763	79,478	183,283	24,700	207,983
	\$ 224,012	\$ 69,963	\$ 293,975	\$ 130,781	\$ 41,097	\$ 171,878	\$ 354,793	\$ 111,060	\$ 465,853

14. Flow of Funds, Restrictions on Use – Enterprise Fund Bonds

Water and Sewer Revenue Bonds

The Water and Sewer Revenue Bonds, Series A and B, issued by the United States Department of Agriculture, Rural Utilities Service, require that all income and revenues earned or derived from the operation of the system be deposited in the Revenue Fund. Out of the funds on deposit in the Revenue Fund, after reasonable and necessary expenses of operating the system have been paid, moneys are to be transferred to the Reserve Fund and/or the Contingency Fund as provided in the Resolution.

The Reserve Fund is maintained solely for the purpose of paying the principal of and interest on bonds payable as to which there would otherwise be default. A monthly sum equal to one twelfth of five percent of the highest annual bond payments or \$137 for Series A and \$77 for Series B must be deposited into this fund no later than the 20th day of each month until \$33,094 for Series A and \$18,480 for Series B is on deposit therein for a total of \$51,574. This Reserve Fund is fully funded at December 31, 2018 with a balance maintained of \$53,007.

The Contingency Fund is established to care for depreciation, extensions, additions, improvements, renewals and replacements necessary to operate properly the System, by transferring from the Revenue Fund on or before the 20th day of each month of each year a sum of \$221. In addition to caring for depreciation, extensions, additions, improvements, renewals and replacements necessary to properly operate the System, the money in the Contingency Fund may also be used to pay the principal of and the interest on the bonds including any additional pari passu bonds issued hereafter in the manner provided by the Resolution, for the payment of which there is not sufficient money in the Reserve Funds. This Contingency Fund is fully funded at December 31, 2018 with a balance maintained of \$49,606.

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

Per Bond Covenants, the Town Council and the Mayor must maintain rates for utility services to provide for the payment of all reasonable and necessary expenses of the System, bond principal and interest payments, and the funding of required reserve accounts. As noted within the *Corrective Action Plan for Current Year Audit Findings* (Finding 2018-C1), the Town is required by bond covenants to shut off delinquent customer accounts water services to a customer whose account is not paid within forty days of the billing date. Past due and delinquent accounts are detailed in Footnote 5- *Receivables*.

15. Retirement Systems

All employees of the town are members of the social security system. In addition to employee payroll deductions, Town funds are remitted to match employee contributions. Town contributions to the social security system for the year ended December 31, 2018 were \$16,523.

16. Other Commitments

In 2017, the Town entered into a professional services contract with Laurie Mosher for administrative consulting services for the Louisiana Community Development Block Grant Program related to the water tank rehabilitation project. The total contract amount is \$32,800. As of December 31, 2018, the Town has incurred \$25,488 in administrative costs for this project. There is approximately \$7,312 remaining in the contract for administrative costs.

The Town also entered into a professional services contract with Spangler Engineering, LLC in the amount of \$57,123 for the engineering related to the water tank rehabilitation project and \$24,700 for inspection fees. As of December 31, 2018, the Town has incurred \$74,964 in engineering costs and inspection fees for this project. There is approximately \$6,859 remaining in the contract for engineering costs.

The Town also entered into a construction contract with Professional Application Service, Inc. in the amount of \$492,800 for construction of the water tank rehabilitation project. There were change orders approved in the amount of \$64,035. The total contract amount is now \$556,835. As of December 31, 2018, the Town has incurred \$489,836 in construction costs for this project. There is approximately \$66,999 remaining in the contract for engineering costs.

17. Fund Balances and Net Position

At December 31, 2018, the General Fund had a nonspendable fund balance created from \$3,265 of prepaid insurance. The Volunteer Fire Fund, a special revenue fund, had a nonspendable fund balance created from \$1,650 of prepaid insurance and \$113,530 that is assigned at fiscal year-end. The Utility fund has \$3,135 of net position restricted for customer deposits and \$102,613 of net position restricted for debt service.

18. Risk Management

The Town is exposed to various risks of loss related to theft, damage, or destruction of assets, torts, injuries, natural disasters, and many other unforeseeable events. The Town purchases commercial insurance policies and bonds for any and all claims related to the aforementioned risks. The Town's payment of the insurance policy deductible is the only liability associated with these policies and bonds. There has been no significant decrease in insurance coverage from the prior year.

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

19. Floods

During 2016, there were two separate federally declared disaster floods that affected the Town. The Town didn't experience any damage related to the March flood (FEMA 4263), however, it did incur costs related to debris cleanup and emergency protective services. The Town received \$7,367 in FEMA reimbursements for these costs. During the August flood (FEMA 4277), the Town did receive damage to Town Hall, to water and sewer facilities, and bridges. The Town also incurred costs related to debris cleanup and emergency protective services. In 2017, the Town was reimbursed \$79,403. In 2018, the Town was reimbursed \$28,422.

20. Subsequent Events

On February 14, 2019 in a regular Town Hall meeting, the board approved an increase to water and sewer rates effective May 1, 2019. The base water rate increased \$3.00 per customer and the base sewer rate increased \$2.00 per customer.

Subsequent events have been evaluated by management through June 30, 2019, the date the financial statements were available to be issued and these financial statements considered subsequent events through such date. No other events were noted that require recording or disclosure in the financial statements for the fiscal year ending December 31, 2018.

Required Supplemental Information (Part II)

Town of Roseland
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Summary
For the year ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> GAAP Basis	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
Revenues				
Taxes	\$ 234,000	\$ 234,000	\$ 218,700	\$ (15,300)
Licenses and Permits	54,000	54,000	57,095	3,095
Intergovernmental	15,000	613,670	597,228	(16,442)
Charges for Services	-	-	-	-
Fines and Forfeitures	25,000	25,000	28,569	3,569
Interest	100	100	599	499
Donations	-	-	600	600
Miscellaneous	1,000	1,000	2,669	1,669
Total Revenues	<u>329,100</u>	<u>927,770</u>	<u>905,460</u>	<u>(22,310)</u>
Expenditures				
General Government	136,900	155,700	167,170	(11,470)
Public Safety:				
Police	113,100	138,300	130,957	7,343
Fire	5,800	5,800	5,380	420
Public Works	65,300	80,500	76,995	3,505
Capital Outlays	8,000	677,000	630,512	46,488
Total Expenditures	<u>329,100</u>	<u>1,057,300</u>	<u>1,011,014</u>	<u>46,286</u>
Excess Revenues (Expenditures)	<u>-</u>	<u>(129,530)</u>	<u>(105,554)</u>	<u>23,976</u>
Net Change in Fund Balances	<u>-</u>	<u>(129,530)</u>	<u>(105,554)</u>	<u>23,976</u>
Fund Balances, Beginning	286,576	286,576	286,576	-
Fund Balances, Ending	<u>\$ 286,576</u>	<u>\$ 157,046</u>	<u>\$ 181,022</u>	<u>\$ 23,976</u>

See Independent Auditor's Report

Town of Roseland
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Detail
For the year ended December 31, 2018

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
Taxes				
Ad Valorem	\$ 22,000	\$ 22,000	\$ 19,756	\$ (2,244)
Sales Taxes	180,000	180,000	167,004	(12,996)
Franchise Taxes	32,000	32,000	31,940	(60)
Total Taxes	234,000	234,000	218,700	(15,300)
Intergovernmental				
Federal Emergency Management Agency	-	-	28,422	28,422
State Grants	8,000	606,670	560,971	(45,699)
Beer Tax	1,200	1,200	2,440	1,240
Fire Insurance Rebate	5,800	5,800	5,395	(405)
Total Intergovernmental	15,000	613,670	597,228	(16,442)
Other Revenues				
Licenses and Permits	54,000	54,000	57,095	3,095
Fines and Forfeitures	25,000	25,000	28,569	3,569
Interest	100	100	599	499
Donations	-	-	600	600
Miscellaneous	1,000	1,000	2,669	1,669
Total Other Revenues	80,100	80,100	89,532	9,432
Total Revenues	329,100	927,770	905,460	(22,310)

Continued

See Independent Auditor's Report

Town of Roseland
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Detail
For the year ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> GAAP Basis	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
General Government				
Salaries	50,000	61,500	60,040	1,460
Payroll Taxes	4,000	4,800	4,593	207
General and Administrative	2,800	2,800	1,737	1,063
Insurance	32,000	32,000	32,856	(856)
Other operating	1,800	3,800	3,186	614
Professional Fees	33,800	33,800	46,891	(13,091)
Repairs and Maintenance	500	2,500	1,301	1,199
Supplies	6,000	8,000	9,684	(1,684)
Utilities	6,000	6,500	6,882	(382)
Total General Government	<u>136,900</u>	<u>155,700</u>	<u>167,170</u>	<u>(11,470)</u>
Public Safety:				
Police				
Salaries	77,000	79,000	79,450	(450)
Payroll Taxes	6,400	7,000	7,067	(67)
Insurance	14,500	14,500	13,208	1,292
Vehicle Expenses	6,000	18,000	14,785	3,215
Other operating	2,200	3,800	5,454	(1,654)
Repairs and Maintenance	2,000	6,000	5,297	703
Supplies	1,000	6,000	2,040	3,960
Utilities	4,000	4,000	3,656	344
Total Police	<u>113,100</u>	<u>138,300</u>	<u>130,957</u>	<u>7,343</u>
Fire				
Insurance	2,000	2,000	1,183	817
Other operating	-	-	455	(455)
Repairs and Maintenance	-	-	31	(31)
Utilities	3,800	3,800	3,711	89
Total Fire	<u>5,800</u>	<u>5,800</u>	<u>5,380</u>	<u>420</u>
Total Public Safety	<u>118,900</u>	<u>144,100</u>	<u>136,337</u>	<u>7,763</u>

Continued

See Independent Auditor's Report

Schedule 2

Town of Roseland
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Detail
For the year ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> GAAP Basis	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Public Works				
Salaries	24,000	36,000	36,737	(737)
Payroll Taxes	2,600	3,300	3,289	11
Insurance	2,400	2,400	1,572	828
Other operating	1,800	1,800	1,247	553
Repairs and Maintenance	11,000	12,000	12,936	(936)
Supplies	2,000	2,000	248	1,752
Utilities	21,500	23,000	20,966	2,034
Total Public Works	<u>65,300</u>	<u>80,500</u>	<u>76,995</u>	<u>3,505</u>
Capital Outlays	<u>8,000</u>	<u>677,000</u>	<u>630,512</u>	<u>46,488</u>
Total Expenditures	<u>329,100</u>	<u>1,057,300</u>	<u>1,011,014</u>	<u>46,286</u>
Excess Revenues (Expenditures)	<u>-</u>	<u>(129,530)</u>	<u>(105,554)</u>	<u>23,976</u>
Net Change in Fund Balances	<u>-</u>	<u>(129,530)</u>	<u>(105,554)</u>	<u>23,976</u>
Fund Balances, Beginning	286,576	286,576	286,576	-
Fund Balances, Ending	<u>\$ 286,576</u>	<u>\$ 157,046</u>	<u>\$ 181,022</u>	<u>\$ 23,976</u>

Concluded

See Independent Auditor's Report

Schedule 3

Town of Roseland
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) and Actual
Special Revenue Fund - Fire Protection
For the year ended December 31, 2018

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Ad Valorem Taxes	\$ 38,000	\$ 38,000	\$ 31,626	\$ (6,374)
Interest	600	600	777	177
Total Revenues	38,600	38,600	32,403	(6,197)
Expenditures				
Public Safety:				
Fire				
Salaries	12,000	12,000	12,509	(509)
Payroll Taxes	1,200	1,200	1,263	(63)
General and Administrative	1,200	1,200	296	904
Insurance	6,200	6,200	6,419	(219)
Fuel	1,200	1,200	1,755	(555)
Other operating	1,800	1,800	828	972
Professional Fees	2,650	2,650	3,550	(900)
Repairs and Maintenance	6,000	7,500	4,105	3,395
Supplies	2,350	2,350	-	2,350
Utilities	4,000	5,400	4,929	471
Capital Outlays	-	25,000	25,000	-
Total Expenditures	38,600	66,500	60,654	5,846
Excess Revenues (Expenditures)	-	(27,900)	(28,251)	(351)
Net Change in Fund Balances	-	(27,900)	(28,251)	(351)
Fund Balances, Beginning	143,431	143,431	143,431	-
Fund Balances, Ending	\$ 143,431	\$ 115,531	\$ 115,180	\$ (351)

See Independent Auditor's Report

Other Supplemental Information

Schedule 4

Town of Roseland
Schedule of Net Position - Proprietary Fund Type
As of December 31, 2018
(with 2017 summarized comparative information)

	Enterprise Funds	
	2018	2017
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 15,624	\$ 34,322
Receivables, Net		
Accounts	74,771	63,859
Prepaid Insurance	2,798	2,708
Other Receivables	1,317	839
Due From Other Funds	125	-
Total Current Assets	<u>94,635</u>	<u>101,728</u>
Restricted Assets:		
Restricted Cash and Cash Equivalents	175,612	164,332
Total Restricted Assets	<u>175,612</u>	<u>164,332</u>
Property, Plant, and Equipment		
Land	6,500	6,500
Property, Plant and Equipment, Net	1,249,114	1,337,761
Total Property, Plant, and Equipment	<u>1,255,614</u>	<u>1,344,261</u>
Total Assets	<u>1,525,861</u>	<u>1,610,321</u>
Liabilities		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	6,875	6,064
Other Accrued Payables	6,401	6,994
Due To Other Funds	138,530	172,206
Total Current Liabilities (Payable From Current Assets)	<u>151,806</u>	<u>185,264</u>
Current Liabilities (Payable From Restricted Assets):		
Customer Deposits	69,864	66,854
Revenue Bonds Payable	30,141	28,309
Interest Payable on Long Term Debt	528	570
Total Current Liabilities (Payable From Restricted Assets)	<u>100,533</u>	<u>95,733</u>
Long Term Liabilities:		
Bonds Payable	324,653	354,796
Total Long Term Liabilities	<u>324,653</u>	<u>354,796</u>
Total Liabilities	<u>576,992</u>	<u>635,793</u>
Net Position		
Net Investment in Capital Assets	900,820	961,156
Restricted for:		
Capital Projects and Debt Service	105,748	97,478
Unrestricted	(57,699)	(84,106)
Total Net Position	<u>\$ 948,869</u>	<u>\$ 974,528</u>

See Independent Auditor's Report

Town of Roseland
Schedule of Revenues, Expenses and Changes in Net Position
Proprietary Fund Type
For the year ended December 31, 2018
(with 2017 summarized comparative information)

	Enterprise Funds	
	2018	2017
Operating Revenues		
Water Sales	\$ 209,378	\$ 169,766
Sewer Service Charges	99,718	98,771
Penalties	13,047	12,904
Intergovernmental	9,747	22,647
Other	4,111	4,810
Total Operating Revenues	336,001	308,898
Operating Expenses		
Bad Debt	20	-
Contract Services	24,320	17,400
Depreciation	110,552	110,587
Insurance	19,322	17,454
Payroll Taxes	4,863	5,625
Professional Fees	18,461	15,200
Repairs and Maintenance	58,646	55,529
Salaries and Wages	63,569	73,533
Supplies	7,893	6,337
Utilities	23,375	20,889
Other	8,852	9,040
Total Operating Expenses	339,873	331,594
Operating Income (Loss)	(3,872)	(22,696)
Nonoperating Revenues (Expenses)		
Interest Income	1,433	1,440
Interest Expense	(23,220)	(25,028)
Total Nonoperating Revenues (Expenses)	(21,787)	(23,588)
Change in Net Position	(25,659)	(46,284)
Total Net Position, Beginning	974,528	1,020,812
Total Net Position, Ending	\$ 948,869	\$ 974,528

See Independent Auditor's Report

Town of Roseland
Schedule of Cash Flows
Proprietary Fund Type
For the year ended December 31, 2018
(with 2017 summarized comparative information)

	Enterprise Funds	
	2018	2017
Cash Flows From Operating Activities		
Received From Customers	\$ 311,231	\$ 275,918
Received for Meter Deposit Fees	3,010	4,605
Other Receipts	13,380	27,656
Receipt (Paid) for Interfund Services	(33,801)	2,895
Payments for Operations	(160,761)	(137,057)
Payments to Employees	(68,432)	(79,158)
Net Cash Provided (Used) by Operating Activities	<u>64,627</u>	<u>94,859</u>
Cash Flows From Capital and Related Financing Activities		
Payments for Capital Acquisitions	(21,905)	-
Principal Proceeds from (Repayments for) Long Term Debt	(28,311)	(26,506)
Interest Payments for Long Term Debt	(23,262)	(25,068)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(73,478)</u>	<u>(51,574)</u>
Cash Flows From Investing Activities		
Receipt of Interest	1,433	1,440
Net Cash Provided by Investing Activities	<u>1,433</u>	<u>1,440</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(7,418)	44,725
Cash and Cash Equivalents, Beginning of Year	198,654	153,929
Cash and Cash Equivalents, End of Year	<u>\$ 191,236</u>	<u>\$ 198,654</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and Cash Equivalents, Unrestricted	\$ 15,624	\$ 34,322
Cash and Cash Equivalents, Restricted	175,612	164,332
Total Cash and Cash Equivalents	<u>\$ 191,236</u>	<u>\$ 198,654</u>

(Continued)

See Independent Auditor's Report

Town of Roseland
Schedule of Cash Flows
Proprietary Fund Type
For the year ended December 31, 2018
(with 2017 summarized comparative information)

	<u>Enterprise Funds</u>	
	<u>2018</u>	<u>2017</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)		
by Operating Activities		
Operating Income (Loss)	\$ (3,872)	\$ (22,696)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided		
by Operating Activities:		
Depreciation	110,552	110,587
(Increase) Decrease in Accounts Receivable	(10,912)	(5,523)
(Increase) Decrease in Other Receivable	(478)	199
(Increase) Decrease in Prepaid Insurance	(90)	(177)
(Increase) Decrease in Due (to) and from Other Funds	(33,801)	2,895
Increase (Decrease) in Accounts Payable	811	1,345
Increase (Decrease) in Accrued Expenses	(593)	3,624
Increase (Decrease) in Customer Deposits	3,010	4,605
Net Cash Provided by Operating Activities	<u>\$ 64,627</u>	<u>\$ 94,859</u>

See Independent Auditor's Report
(Concluded)

Town of Roseland
Schedule of Revenues, Expenses and Changes in Net Position
Budget (GAAP Basis) and Actual, Proprietary Fund Type, Water and Sewer Utility System
For the year ended December 31, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Water Sales	\$ 208,000	\$ 209,378	\$ 1,378
Sewer Charges	105,000	99,718	(5,282)
Penalties	11,000	13,047	2,047
Intergovernmental	-	9,747	9,747
Other	1,700	4,111	2,411
Total Operating Revenues	<u>325,700</u>	<u>336,001</u>	<u>10,301</u>
Operating Expenses			
Bad Debts	-	20	(20)
Contract Services	12,000	24,320	(12,320)
Depreciation	108,000	110,552	(2,552)
Insurance	15,000	19,322	(4,322)
Payroll Taxes	5,400	4,863	537
Professional Fees	16,000	18,461	(2,461)
Repairs and Maintenance	38,600	58,646	(20,046)
Salaries and Wages	62,000	63,569	(1,569)
Supplies	6,000	7,893	(1,893)
Utilities	23,000	23,375	(375)
Other	9,800	8,852	948
Total Operating Expenses	<u>295,800</u>	<u>339,873</u>	<u>(44,073)</u>
Operating Income (Loss)	<u>29,900</u>	<u>(3,872)</u>	<u>(33,772)</u>
Nonoperating Revenues (Expenses)			
Interest Income	1,200	1,433	233
Interest Expense	(23,500)	(23,220)	280
Total Nonoperating Revenues (Expenses)	<u>(22,300)</u>	<u>(21,787)</u>	<u>513</u>
Income (Loss) Before Transfers	<u>7,600</u>	<u>(25,659)</u>	<u>(33,259)</u>
Transfers			
Operating Transfers In	-	-	-
Operating Transfers Out	-	-	-
Change in Net Position	<u>\$ 7,600</u>	<u>\$ (25,659)</u>	<u>\$ (33,259)</u>

See Independent Auditor's Report

Schedule 8

**Town of Roseland
Schedule of Water and Sewer Rates
Proprietary Fund Type
For the year ended December 31, 2018**

Water	
Residential Rates	Commercial Rates
In Town	In Town
\$ 21.25 - Base Charge	\$ 40.25 - Base Charge
\$ 1.90 - Per 1,000 Gallons of Water over 2,000 Gallons	\$ 1.90 - Per 1,000 Gallons of Water over 10,000 Gallons
Out of Town	Out of Town
\$ 25.25 - Base Charge	\$ 58.25 - Base Charge
\$ 2.00 - Per 1,000 Gallons of Water over 2,000 Gallons	\$ 2.00 - Per 1,000 Gallons of Water over 10,000 Gallons
	\$ 100.00 - Flat Rate Customers
Sewer	
Residential Rates	Commercial Rates
Metered	
\$ 16.00 - Base Charge	\$ 65.00 - Base Charge
\$ 3.25 - Per 1,000 Gallons of Water over 2,000 Gallons	\$ 3.25 - Per 1,000 Gallons of Water over 2,000 Gallons
In Town	Wholesale
\$ 29.00 - Flat Rate	\$ 150.00

**Schedule of Number of Customers
Proprietary Fund Type
For the year ended December 31, 2018**

	Residential	Commercial	School	Total
Water	523	33	1	557
Sewer	291	12	1	304
Total	814	45	2	861

See Independent Auditor's Report

Town of Roseland
Schedule of Insurance
For the year ended December 31, 2018

<u>Insurance Company /</u> <u>Policy Number</u>	<u>Coverage</u>	<u>Amount</u>	<u>Period</u>	
Louisiana Municipal Risk Management Agency 100-0294-16474	Commercial General Liability	\$ 500,000	11/6/2018 to	11/6/2019
	Commercial Automobile	500,000		
	Law Enforcement Officer's Comprehensive Liability	500,000		
	Public Officials' Errors and Omissions Liability	500,000		
Group # 70-0303	Workers Compensation at Statutory Limitations		12/29/2018 to	12/29/2019
American Alternative Insurance Corporation PF-6050522-06	Commercial Property Coverage Water and Sewer Dept. Property	2,104,915	5/5/2018 to	5/5/2019
	Commercial General Liability	3,000,000		
	Personal & Advertising Injury	1,000,000		
	Each Occurrence	1,000,000		
	Fire Damage	1,000,000		
	Employee Theft	10,000		
Underwriters at Lloyd's, London LA123933	Commercial Property Coverage-Warehouse	1,200,000	5/6/2018	5/6/2019
American Alternative Insurance Corporation VFIS-CM1051305-11	Business Auto Liability - Fire Department	1,000,000	4/1/2018 to	4/1/2019
	Physical Damage for Vehicles	per accident As Scheduled		
Western Surety Company 61449079	Bond on Clerk	15,000	8/23/2018 to	8/23/2019
Western Surety Company 70738203	Bond on Mayor	50,000	6/11/2018 to	6/11/2019

See Independent Auditor's Report.

Schedule 10

**Town of Roseland
Schedule of Compensation Paid to Board Members
For the year ended December 31, 2018**

<u>Name and Title / Contact Number</u>	<u>Address</u>	<u>Compensation Received</u>
Wanda McCoy, Mayor (225) 362-3528	P.O. Box 511 Roseland, Louisiana 70456	\$ 14,400
Kevin Robinson, Council Member (985) 517-6619	P.O. Box 95 Roseland, Louisiana 70456	2,175
Charles Davis, Council Member (985) 286-3699	12359 Roseland Avenue Roseland, Louisiana 70456	2,100
Rose Bennett, Council Member (985) 474-5034	63061 Church Street Roseland, Louisiana 70456	2,400
Sandra Turner, Council Member (985) 748-9589	P.O. Box 89 Roseland, Louisiana 70456	2,400
Ruthie Vernon, Council Member (985) 791-1796	12184 Buchanan Lane Roseland, Louisiana 70456	2,400
		<u>\$ 25,875</u>

All terms expire December 31, 2020.

See Independent Auditor's Report

Schedule 11

Town of Roseland
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the year ended December 31, 2018

Agency Head Name: Wanda McCoy, Mayor

Purpose	Amount
Salary	\$ 14,400
Employer Paid Payroll Taxes	1,102
Registration Fees	90
Conference Travel	98
Total	<u>\$ 15,690</u>

See Independent Auditor's Report.

Bruce C. Harrell, CPA

Kristi U. Bergeron, CPA
Jessica H. Jones, CPA
Brandy W. Garcia, CPA
Michael P. Estay, CPA

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INDEPENDENT AUDITOR'S 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*

Honorable Mayor Wanda McCoy and
Members of the Town Council
To the Town of Roseland
Roseland, Louisiana

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Town of Roseland, Louisiana (the "Town") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 30, 2019.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *Summary Schedule of Findings and Responses*, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies

To the Town of Roseland
Roseland, Louisiana
Page 2

described in Findings 2018-I2, 2018-I3, and 2018-I4 in the accompanying *Schedule of Findings and Responses* to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Findings 2018-I1 and 2018-I5 in the accompanying *Schedule of Findings and Responses* to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's, financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards* and which are described in Findings 2018-C1, 2018-C2, 2018-C3, and 2018-C4 in the accompanying *Schedule of Findings and Responses*.

Town of Roseland's Response to Findings

The Town of Roseland's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Responses*. The Town of Roseland's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation
Kentwood, Louisiana
June 30, 2019

Schedule of Findings and Responses
For the Year Ended December 31, 2018

Section I Summary of Auditor's Reports

Financial Statements

a. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified Qualified
Disclaimer Adverse

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

Internal Control:

Material Weaknesses Yes No Significant Deficiencies Yes No

Compliance:

Noncompliance Material to Financial Statements Yes No

Federal Awards – N/A

Internal Control over Major Federal Programs:

Material Weaknesses Yes No Significant Deficiencies Yes No

Type of auditor's report issued on compliance for major federal programs:

Unmodified Qualified
Disclaimer Adverse

Are there findings required to be reported in accordance with 2 CFR 200.516(a)?

Yes No

Was a management letter issued?

Yes No

Identification of Major Programs:

CFDA Number(s)	Name of Federal Program (or Cluster)

Dollar threshold used to distinguish between Type A and Type B Programs: \$ _____

Is the auditee a 'low-risk' auditee, as defined by the Uniform Guidance? Yes No

Schedule of Findings and Responses
For the Year Ended December 31, 2018

Section II Financial Statement Findings

Finding 2018-I1: Inadequate Segregation of Duties (Significant Deficiency)

Criteria: Proper segregation of incompatible duties requires that there be different individuals responsible for authorizing transactions, recording transactions and maintaining custody of related assets.

Condition: The Town has few administrative employees. Consequently, some duties throughout the financial reporting process, which are considered incompatible, are being performed by the same individual(s). The Town has implemented certain compensating controls internally and works with an external CPA as well. Also, incompatible duties in the expenditure and disbursement process were performed by the mayor for the final two months of the fiscal year.

Cause: Due to the size and nature of the Town, there are few administrative employees and as such, some incompatible duties are not adequately segregated. Due to lack of a Town Clerk, the final two months of the fiscal year, checks did not have dual signatures as required.

Effect: Inadequate segregation of duties exposes the Town to several risks, including, but not limited to misappropriation of assets and inaccurate or fraudulent financial reporting.

Recommendation: The Town should continue to explore ways to segregate incompatible duties possibly through the use of other personnel or staff, Board members, and use of the Town's outside CPA as appropriate. The Town should also add a Board member as an approved signer.

Management's Response: While the Town has taken steps to mitigate the risks arising from incompatible duties, it will continue to explore additional avenues for segregating duties. The Town will add a Board member as an approved signer on all bank accounts.

Contact Person:

Wanda McCoy, Mayor
P.O. Box 511, Roseland, LA 70456, (985-748-9063)

Finding 2018-I2: Uncollected Ad Valorem Taxes (Material Weakness)

Criteria: Effective Town operations and an effective internal control system require the design and operation of standardized procedures for optimization and collection of major revenue sources and assurance that related financial data is accurate and complete and the Town's assets are safeguarded.

Condition: The Town lacks complete standardized procedures for ad valorem tax collections. The Town lacks adequate controls to identify past due amounts and properly conduct a tax sale. Specifics of the condition are as follows:

**Schedule of Findings and Responses
For the Year Ended December 31, 2018**

The prior year audit reported uncollected prior year ad valorem taxes due to the Town of \$15,743 at December 31, 2014. For the fiscal year ending December 31, 2015, the total uncollected prior year ad valorem taxes increased to \$20,055. For the fiscal year ending December 31, 2016, the total uncollected prior year ad valorem taxes increased to \$20,169. In addition, the town had not begun the process of holding a tax sale to redeem the outstanding balances. For the year ending December 31, 2018, the total uncollected prior year ad valorem taxes is \$21,017. For the year ending December 31, 2018, the total uncollected prior year ad valorem taxes is \$10,646. The Town Clerk identified those accounts that are past due. A tax sale was held on June 25, 2019.

Cause: There is a lack of complete standardized procedures and a lack of properly designed and operating internal controls over ad valorem tax collection, likely resulting from a lack of adequate understanding of the process.

Effect: Failure to design and follow effective standardized procedures for collection of ad valorem taxes and failure to design and operate effective internal controls over the related transactions exposes the Town to several risks, including, but not limited to, misappropriation of assets and inaccurate or fraudulent financial reporting. As a result, a material misstatement in the Town's financial statements may not be prevented or detected.

Recommendation: While a tax sale was held after the fiscal year end, the Town still needs to be diligent with the collection of delinquent ad valorem taxes and continue to schedule future tax sales.

Management's Response: The Town will continue to keep up with the collection of delinquent ad valorem taxes and future tax sales.

Contact Person:

Wanda McCoy, Mayor
P.O. Box 511, Roseland, LA 70456, (985-748-9063)

Finding 2018-13: Inadequate Controls over the Utility Billing System (Material Weakness)

Criteria: Effective operation of a utility billing system and an effective internal control system requires the design and operation of standardized procedures related to input and reconciliation of billings, adjustments and collections for optimization and collection of major revenue sources and assurance that related financial data is accurate and complete, and the Town's assets are safeguarded.

Condition: The Town lacks complete standardized procedures for effective operation of a utility billing system and proper working internal controls over some transactions related to the system. Specifics of the condition are as follows:

- The Town did not maintain strict adherence to its cutoff policy throughout the year. The Town lacks adequate controls to identify past due amounts and perform timely disconnecting of service. The Town also lacks procedures to provide sufficient effort in collecting delinquent accounts.

Schedule of Findings and Responses
For the Year Ended December 31, 2018

- As noted in the prior year audit, included at December 31, 2015, within the receivables balance were closed accounts at \$36,818 and inactive accounts at \$8,889, totaling \$45,707. As part of the financial audit for the fiscal year ending December 31, 2015, these accounts were adjusted out of the current receivables balance, to leave a total of \$52,642 as the current accounts receivable balance, although after adjustment a total \$21,250 was still in the over 90 days past due category. Included at December 31, 2016, within the receivables balance were closed accounts of \$8,836 and inactive accounts of \$3,767, totaling \$12,603 (\$9,369 of this amount is delinquent). Additionally, at December 31, 2016, within the receivables balance were active accounts of \$62,206 of which, \$37,143.42 was delinquent. Included at December 31, 2017, within the receivables balance were closed accounts of \$4,888 and inactive accounts of \$15,938, totaling \$20,826 (\$20,607 of this amount is delinquent). Additionally, at December 31, 2017, within the receivables balance were active accounts of \$59,572 of which, \$24,647 was delinquent. Included at December 31, 2018, within the receivables balance were closed accounts of \$21,682 and inactive accounts of \$18,567, totaling \$40,249 (\$39,788 of this amount is delinquent). Additionally, at December 31, 2018, within the receivables balance were active accounts of \$50,494 of which, \$12,243 was delinquent.
 - Customers with promissory note agreements to pay delinquent accounts were not disconnected from service in a timely manner when the terms of the agreement were not honored. Additionally, the customers were reconnected upon a partial payment when the terms of the agreement stipulate that full payment would be required.
 - The town was unable to provide documentation of referral of closed or inactive accounts or of delinquent active accounts to legal counsel for collection procedures.
- As noted in the prior year audit, the utility system software has features that have not been activated that allow the application of meter deposit refunds, necessary to determine more accurately the balance owed by customers. In the prior year, while some meter deposit refunds were shown as refunded within the meter deposit listing and the balance applied to the customer accounts, the process is being done manually within the system. Specifically, the utility billing system displays a message indicating that the function allowing input of meter deposit refunds has not been installed. The Town indicated that this has not changed from the prior year.
 - An accurate meter deposit listing was not available at year end and as such there was no reconciliation of meter deposits from the general ledger to the utility billing system. Additionally, there was no evidence of a reconciliation of the meter deposit general ledger liability account to the related cash account. The Town continues to work on this listing.

Cause: There is a lack of complete standardized procedures and a lack of properly designed and operating internal controls over some aspects of utility billings and collections, likely resulting from a lack of adequate understanding of the utility billing system and transactions and an override of present controls.

Effect: Failure to design and follow effective standardized procedures for operation of a utility billing system and failure to design and operate effective internal controls over the transactions related to the system exposes

Schedule of Findings and Responses
For the Year Ended December 31, 2018

the Town to several risks, including, but not limited to, misappropriation of assets and inaccurate or fraudulent financial reporting. As a result, material misstatement in the Town's financial statements may not be prevented or detected.

Recommendation: The Town must continue to seek help in better understanding the utility billing system software. The Town should ensure that its employees obtain a full understanding of the transactions surrounding utility billing and collections. Finally, the following specific recommendations are made in the current year:

- Standardized procedures should be developed for monitoring delinquent accounts and adequately pursuing collection of such accounts. The Town should adhere to a strict cutoff policy.
- All customer billing and account adjustments should be fully documented and approved and supporting documentation retained. Additionally, all customer billing and account adjustments must be entered into the utility billing system and an adjustments report should be run from the utility billing system for presentation to the Board and approval by the Board.
- Customer deposit listing should be compiled from supporting documentation as soon as possible, reconciled to the bank statement and general ledger, and any differences investigated. The utility billing system should then be used to record and continuously monitor the customer deposit listing.

Management's Response: The Town will consider implementing all of the Auditor's recommendations immediately.

Contact Person:

Wanda McCoy, Mayor
P.O. Box 511, Roseland, LA 70456, (985-748-9063)

Finding 2018-C1: Bond Requirements (Noncompliance)

Criteria: Loan assistance for the Town of Roseland consists of bonds financed by the United States Department of Agriculture (USDA), Rural Development. Revenue bond agreements require the Town to establish rates sufficient to pay bond installments and fund required reserves, and to disconnect delinquent accounts over 90 days past due

Condition: Failure to cut off services on delinquent accounts as previously described in Finding 2018-I3.

Cause: There is a lack of complete standardized procedures and a lack of properly designed and operating internal controls over some aspects of utility billings and collections, likely resulting from a lack of adequate understanding of the utility billing system and transactions and an override of present controls.

Effect: Noncompliance with bond requirements.

Schedule of Findings and Responses
For the Year Ended December 31, 2018

Recommendation: The Town should adhere to a strict cutoff policy as previously recommended. The Town should monitor its compliance with applicable laws, regulations, contracts, and grant agreements.

Management's Response: The Town will consider implementing all of the Auditor's recommendations immediately.

Contact Person:

Wanda McCoy, Mayor
P.O. Box 511, Roseland, LA 70456, (985-748-9063)

Finding 2018-C2: Traffic Citations (Noncompliance)

Criteria: Louisiana Revised Statute 32:398 requires that a record must be maintained for each citation book issued to officers and each citation contained therein. Additionally, the statute outlines the legal and proper procedures for disposition of issued traffic citations. Finally, the statute requires the following traffic citations be returned to the chief administration officer (1) a copy of every citation issued, and (2) all copies of every traffic citation which has been spoiled or upon which an entry has been made without having issued the citation. Louisiana Revised Statute 32:393C(1)(b) requires that records of all (paid and unpaid) traffic violations, except parking violations, be reported to the Department of Safety and Corrections not later than 30 days after the date of the person's conviction and sentencing or the final disposition of the case.

Condition: During the Town's 2018 audit the following issues were identified:

- Copies of tickets issued were not consistently maintained by the police department and turned in at Town Hall;
- The ticket log that details tickets written wasn't updated throughout the year;
- Several gaps in ticket numbers on the docket without any copies of the tickets on hand and no accounting of the final disposition of the ticket. It is unknown if the tickets were spoiled and not returned or issued and improperly disposed; and
- Instances of payment amounts lower than the fine amount per the docket without documentation of the reduction.

Finally, records of several issued citations have not been reported to the Department of Safety and Corrections.

Cause: The Town did not have written policies on traffic citation issuance, processing and disposition and did not enforce procedures outlined in the above referenced statutes.

Effect: Noncompliance with the above referenced statutes.

Recommendation: The Town's Chief of Police and Mayor should develop written procedures for traffic citations in accordance with state statutes and monitor compliance with these procedures.

Schedule of Findings and Responses
For the Year Ended December 31, 2018

Management's Response: The Town's officials will meet with legal counsel and review the Louisiana Revised Statutes and best practices for traffic tickets from the Louisiana Legislative Auditor and develop necessary policies and procedures to become compliant.

Contact Person:

Wanda McCoy, Mayor
P.O. Box 511, Roseland, LA 70456, (985-748-9063)

Finding 2018-I4: Lack of Internal Controls over Traffic Citations (Material Weakness)

Criteria: A properly designed and implemented internal control system over financial reporting provides, among other things, reasonable assurance that financial data is accurate and complete and that Town's assets are properly safeguarded.

Condition: The Town's police department did not have adequate internal controls surrounding traffic citations as demonstrated in Finding 2018-C2.

Cause: Failure to design and implement standard procedures and adequate internal controls.

Effect: Failure to design and implement standard procedures and adequate internal controls over police citations exposes the Town to several risks, including, but not limited to, misappropriation of assets and inaccurate or fraudulent financial reporting. As a result, material misstatement in the Town's financial statements may not be prevented or detected.

Recommendation: The Town's Chief of Police should develop written procedures for traffic citations in accordance with state statute and monitor compliance with these procedures.

Management's Response: The Town's officials will meet with legal counsel and review the Louisiana Revised Statutes and best practices for traffic tickets from the Louisiana Legislative Auditor and develop necessary policies and procedures.

Contact Person:

Wanda McCoy, Mayor
P.O. Box 511, Roseland, LA 70456, (985-748-9063)

Finding 2018-C3 Donation, Loan, or Pledge of Public Credit (Noncompliance)

Criteria: Article VII, Section 14(A) of the Louisiana Constitution states that the funds, credit, property, or things of value of the state or any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public to private, unless exception provided for in the constitution.

Schedule of Findings and Responses
For the Year Ended December 31, 2018

Condition: The Town engaged in certain transactions during the year and failed to effectively operate its internal control system in such a way that the Town made de-facto loans and donations of public funds. Specifics of the condition area as follows:

1. As noted in Finding 2018-I2, the Town demonstrated insufficient effort in collecting delinquent ad valorem taxes and failed to strictly adhere tax sale procedures. In doing so, funds of the Town were loaned to property holders with delinquent amounts.
2. As noted in Finding 2018-I3, the Town failed to adhere to a strict cutoff policy and demonstrated insufficient effort in collecting delinquent accounts receivable amounts. In doing so, funds of the Town were loaned to customers with delinquent accounts as services continued to be provided to these customers.
3. As noted in Finding 2018-C2, the Town failed to provide documentation of legal and proper procedures for disposal of issued traffic citations or spoiled traffic citations. As such, there exists the possibility that amounts due the Town for traffic Citations were not properly collected.

Cause: Specifics of the condition above are discussed in Findings 2018-I2, 2018-I3, and 2018-C2.

Effect: Noncompliance with the referenced section of the Louisiana Constitution.

Recommendation: See specific recommendations in Findings 2018-I2, 2018-I3, and 2018-C2. Also, the Town should monitor its compliance with applicable laws, regulations, contracts, and grant agreements.

Management's Response: The Town will consider implementing all of the Auditor's recommendations immediately.

Contact Person:

Wanda McCoy, Mayor
P.O. Box 511, Roseland, LA 70456, (985-748-9063)

Finding 2018-I5: Inadequate Internal Controls over Capital Assets (Significant Deficiency)

Criteria: Adequately designed and implemented internal control system over financial reporting provides, among other things, reasonable assurance that financial data is accurate and complete and that the Town's assets are properly safeguarded. A physical inventory of capital assets allows for the proper accounting for capital assets and provides an opportunity, if one otherwise wouldn't have existed, to note any indicators for impairment.

Condition: Although fixed assets additions and disposals are reported and the fixed asset listing maintained by the outside CPA, the Town did not complete an annual inventory of capital assets. The Town also needs to continue tagging fixed asset additions.

Schedule of Findings and Responses
For the Year Ended December 31, 2018

Cause: An accurate statement of fixed assets requires an annual inventory and monthly review to ensure that asset additions are tagged for tracking and inventory purposes.

Effect: Inadequate controls over capital assets exposes the Town to several risks, including, but not limited to misappropriation of assets and inaccurate or fraudulent financial reporting.

Recommendation: The Town's should complete the annual inventory on a timely basis. Fixed assets need to be tagged as they are received and put into service.

Management's Response: The Town will consider implementing all of the Auditor's recommendations immediately.

Contact Person:

Wanda McCoy, Mayor
P.O. Box 511, Roseland, LA 70456, (985-748-9063)

Finding 2018-C4 Local Budget Act (Noncompliance)

Criteria: Louisiana Revised Statute 39:1311 requires that total expenditures and other uses must not exceed budgeted expenditures and other uses by 5% or more and revenues and other sources must meet budgeted revenue and other sources by 5% or more.

Condition: The Town's actual revenue and other sources in the Fire Fund were below the total budgeted revenue and other sources by five percent or more.

Cause: Revenue for ad valorem taxes received at year-end was lower than anticipated. Most revenue wasn't received until after 60 days after year-end and was reclassified as a deferred inflow of resources instead of revenue.

Effect: Noncompliance with the above referenced statute.

Recommendation: The budget should be amended when budget variances greater than 5% are evident.

Management's Response: We will continue to monitor budget compliance.

Contact Person:

Wanda McCoy, Mayor
P.O. Box 511, Roseland, LA 70456, (985-748-9063)

Section III Federal Award Findings and Questioned Costs

No Section III Findings

Schedule of Prior Year Findings and Responses
For the Year Ended December 31, 2018

Section I Internal Control and Compliance Material to the Financial Statements

Finding 2017-I1: Inadequate Segregation of Duties (Significant Deficiency)

Year Initial Finding Occurred: Fiscal year ending December 31, 2015

Criteria: Proper segregation of incompatible duties requires that there be different individuals responsible for authorizing transactions, recording transactions and maintaining custody of related assets.

Condition: The Town has few administrative employees. Consequently, some duties throughout the financial reporting process, which are considered incompatible, are being performed by the same individual(s). The Town has implemented certain compensating controls internally and works with an external CPA as well.

Cause: Due to the size and nature of the Town, there are few administrative employees and as such, some incompatible duties are not adequately segregated.

Effect: Inadequate segregation of duties exposes the Town to several risks, including, but not limited to misappropriation of assets and inaccurate or fraudulent financial reporting.

Recommendation: The Town should continue to explore ways to segregate incompatible duties possibly through the use of other personnel or staff, Board members, and use of the Town's outside CPA as appropriate.

Management's Response: While the Town has taken steps to mitigate the risks arising from incompatible duties, it will continue to explore additional avenues for segregating duties.

Current Year Status: Previous recommendations have been implemented. However, segregation of duties is a continuing issue with smaller organizations. This finding was reevaluated in the current year and reported as Finding 2018-I1 within the *Schedule of Findings and Responses*

Finding 2017-I2: Uncollected Ad Valorem Taxes (Material Weakness)

Year Initial Finding Occurred: Fiscal year ending December 31, 2006

Criteria: Effective Town operations and an effective internal control system require the design and operation of standardized procedures for optimization and collection of major revenue sources and assurance that related financial data is accurate and complete and the Town's assets are safeguarded.

Condition: The Town lacks complete standardized procedures for ad valorem tax collections. The Town lacks adequate controls to identify past due amounts and properly conduct a tax sale. Specifics of the condition are as follows:

**Schedule of Prior Year Findings and Responses
For the Year Ended December 31, 2018**

The prior year audit reported uncollected prior year ad valorem taxes due to the Town of \$15,743 at December 31, 2014. For the fiscal year ending December 31, 2015, the total uncollected prior year ad valorem taxes increased to \$20,055. In addition, the town had not begun the process of holding a tax sale to redeem the outstanding balances. For the year ending December 31, 2016, the total uncollected prior year ad valorem taxes is \$20,169. For the year ending December 31, 2017, the total uncollected prior year ad valorem taxes is \$21,017. While the Town has sent letters and collected some prior year taxes, the Town indicated that the process for conducting a tax sale has not begun.

Cause: There is a lack of complete standardized procedures and a lack of properly designed and operating internal controls over ad valorem tax collection, likely resulting from a lack of adequate understanding of the process.

Effect: Failure to design and follow effective standardized procedures for collection of ad valorem taxes and failure to design and operate effective internal controls over the related transactions exposes the Town to several risks, including, but not limited to, misappropriation of assets and inaccurate or fraudulent financial reporting. As a result, a material misstatement in the Town's financial statements may not be prevented or detected.

Recommendation: The Town should contact LaMATS to obtain proposals to facilitate the collection of delinquent ad valorem taxes and help navigate the tax sale process.

Management's Response: The Town will consider contacting LaMATS or other options to assist with the collection of delinquent ad valorem taxes and future tax sales.

Current Year Status: Tax sale was not held until 2019. This finding was reevaluated in the current year and reported as Finding 2018-I2 within the *Schedule of Findings and Responses*.

Finding 2017-I3: Inadequate Controls over the Utility Billing System (Material Weakness)

Year Initial Finding Occurred: Fiscal year ending December 31, 2001

Criteria: Effective operation of a utility billing system and an effective internal control system requires the design and operation of standardized procedures related to input and reconciliation of billings, adjustments and collections for optimization and collection of major revenue sources and assurance that related financial data is accurate and complete, and the Town's assets are safeguarded.

Condition: The Town lacks complete standardized procedures for effective operation of a utility billing system and proper working internal controls over some transactions related to the system. Specifics of the condition are as follows:

- The Town did not maintain strict adherence to its cutoff policy throughout the year. The Town lacks adequate controls to identify past due amounts and perform timely disconnecting of service. The Town also lacks procedures to provide sufficient effort in collecting delinquent accounts.

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- As noted in the prior year audit, included at December 31, 2015, within the receivables balance were closed accounts at \$36,818 and inactive accounts at \$8,889, totaling \$45,707. As part of the financial audit for the fiscal year ending December 31, 2015, these accounts were adjusted out of the current receivables balance, to leave a total of \$52,642 as the current accounts receivable balance, although after adjustment a total \$21,250 was still in the over 90 days past due category. Included at December 31, 2016, within the receivables balance were closed accounts of \$8,836 and inactive accounts of \$3,767, totaling \$12,603 (\$9,369 of this amount is delinquent). Additionally, at December 31, 2016, within the receivables balance were active accounts of \$62,206 of which, \$37,143.42 was delinquent. Included at December 31, 2017, within the receivables balance were closed accounts of \$4,888 and inactive accounts of \$15,938, totaling \$20,826 (\$20,607 of this amount is delinquent). Additionally, at December 31, 2017, within the receivables balance were active accounts of \$59,572 of which, \$24,647 was delinquent.
 - Customers with promissory note agreements to pay delinquent accounts were not disconnected from service in a timely manner when the terms of the agreement were not honored. Additionally, the customers were reconnected upon a partial payment when the terms of the agreement stipulate that full payment would be required.
 - The town was unable to provide documentation of referral of closed or inactive accounts or of delinquent active accounts to legal counsel for collection procedures.
- Adjustments to customer billings or accounts are approved by the Mayor, but details of adjustments are often lacking. While this process improved after the prior year audit report was presented, due to the timing of that prior year audit, this condition is still listed since improvements weren't made until the last quarter of the fiscal year ended December 31, 2017.
 - As noted in the prior year audit, the utility system software has features that have not been activated that allow the application of meter deposit refunds, necessary to determine more accurately the balance owed by customers. In the prior year, while some meter deposit refunds were shown as refunded within the meter deposit listing and the balance applied to the customer accounts, the process is being done manually within the system. Specifically, the utility billing system displays a message indicating that the function allowing input of meter deposit refunds has not been installed. The Town indicated that this has not changed from the prior year.
 - An accurate meter deposit listing was not available at year end and as such there was no reconciliation of meter deposits from the general ledger to the utility billing system. Additionally, there was no evidence of a reconciliation of the meter deposit general ledger liability account to the related cash account.

Cause: There is a lack of complete standardized procedures and a lack of properly designed and operating internal controls over some aspects of utility billings and collections, likely resulting from a lack of adequate understanding of the utility billing system and transactions and an override of present controls.

Schedule of Prior Year Findings and Responses
For the Year Ended December 31, 2018

Effect: Failure to design and follow effective standardized procedures for operation of a utility billing system and failure to design and operate effective internal controls over the transactions related to the system exposes the Town to several risks, including, but not limited to, misappropriation of assets and inaccurate or fraudulent financial reporting. As a result, material misstatement in the Town's financial statements may not be prevented or detected.

Recommendation: The Town must continue to seek help in better understanding the utility billing system software. The Town should ensure that its employees obtain a full understanding of the transactions surrounding utility billing and collections. Finally, the following specific recommendations are made in the current year:

- Standardized procedures should be developed for monitoring delinquent accounts and adequately pursuing collection of such accounts. The District should adhere to a strict cutoff policy.
- All customer billing and account adjustments should be fully documented and approved and supporting documentation retained. Additionally, all customer billing and account adjustments must be entered into the utility billing system and an adjustments report should be run from the utility billing system for presentation to the Board and approval by the Board.
- Customer deposit listing should be compiled from supporting documentation as soon as possible, reconciled to the bank statement and general ledger, and any differences investigated. The utility billing system should then be used to record and continuously monitor the customer deposit listing.

Management's Response: The Town will consider implementing all of the Auditor's recommendations immediately.

Current Year Status: Some of the previous recommendations have been implemented in the current fiscal year and the Town is continuing to work on collections.

This finding was reevaluated in the current year and reported as Finding 2018-I3 within the *Schedule of Findings and Responses*.

Finding 2018-C1: Bond Requirements (Noncompliance)

Year Initial Finding Occurred: Fiscal year ending December 31, 2001

Criteria: Loan assistance for the Town of Roseland consists of bonds financed by the United States Department of Agriculture (USDA), Rural Development. Revenue bond agreements require the Town to establish rates sufficient to pay bond installments and fund required reserves, and to disconnect delinquent accounts over 90 days past due

Condition: Failure to cut off services on delinquent accounts as previously described in Finding 2017-I3.

Schedule of Prior Year Findings and Responses
For the Year Ended December 31, 2018

Cause: There is a lack of complete standardized procedures and a lack of properly designed and operating internal controls over some aspects of utility billings and collections, likely resulting from a lack of adequate understanding of the utility billing system and transactions and an override of present controls.

Effect: Noncompliance with bond requirements.

Recommendation: The Town should adhere to a strict cutoff policy as previously recommended. The Town should monitor its compliance with applicable laws, regulations, contracts, and grant agreements.

Management's Response: The Town will consider implementing all of the Auditor's recommendations immediately.

Current Year Status: Some of the previous recommendations have been implemented in the current fiscal year and the Town is continuing to work on collections.

This finding was reevaluated in the current year and reported as Finding 2018-C1 within the *Schedule of Findings and Responses*.

Finding 2017-C2: Traffic Citations (Noncompliance)

Year Initial Finding Occurred: Fiscal year ending December 31, 2013

Criteria: Louisiana Revised Statute 32:398 requires that a record must be maintained for each citation book issued to officers and each citation contained therein. Additionally, the statute outlines the legal and proper procedures for disposition of issued traffic citations. Finally, the statute requires the following traffic citations be returned to the chief administration officer (1) a copy of every citation issued, and (2) all copies of every traffic citation which has been spoiled or upon which an entry has been made without having issued the citation. Louisiana Revised Statute 32:393C(1)(b) requires that records of all (paid and unpaid) traffic violations, except parking violations, be reported to the Department of Safety and Corrections not later than 30 days after the date of the person's conviction and sentencing or the final disposition of the case.

Condition: During the Town's 2016 audit the following issues were identified:

- Issuance of ticket books to officers with no accounting of the tickets issued;
- Copies of tickets issued were not consistently maintained by the police department;
- The police department maintained copies of only 12 issued citations. Of these citations, three were not included in the court's files nor included on the docket. It is therefore noted that the tickets were not properly processed;
- Several gaps in ticket numbers on the docket without any copies of the tickets on hand and no accounting of the final disposition of the ticket. It is unknown if the tickets were spoiled and not returned or issued and improperly disposed; and

Schedule of Prior Year Findings and Responses
For the Year Ended December 31, 2018

- Instances of payment amounts lower than the fine amount per the docket without documentation of the reduction.

Finally, records of several issued citations have not been reported to the Department of Safety and Corrections.

Most of the problems identified above were corrected by the fiscal year ended December 31, 2017. However due to the timing of that prior year audit, these conditions are still listed since improvements weren't made until the last quarter of the fiscal year ended December 31, 2017. The only item not corrected by the fiscal year ended December 31, 2017 was citations not being reported to the Department of Safety and Corrections.

Cause: The Town did not have written policies on traffic citation issuance, processing and disposition and did not enforce procedures outlined in the above referenced statutes.

Effect: Noncompliance with the above referenced statutes.

Recommendation: The Town's Chief of Police and Mayor should develop written procedures for traffic citations in accordance with state statutes and monitor compliance with these procedures.

Management's Response: The Town's officials will meet with legal counsel and review the Louisiana Revised Statutes and best practices for traffic tickets from the Louisiana Legislative Auditor and develop necessary policies and procedures to become compliant.

Current Year Status: Most of the problems identified above were corrected by the fiscal year ended December 31, 2017. However, during the 2018 audit, some of the above problems have returned. This finding was reevaluated in the current year and reported as part of Finding 2018-C2 within the *Schedule of Findings and Responses*.

Finding 2017-I4: Lack of Internal Controls over Traffic Citations (Material Weakness)

Year Initial Finding Occurred: Fiscal year ending December 31, 2013

Criteria: A properly designed and implemented internal control system over financial reporting provides, among other things, reasonable assurance that financial data is accurate and complete and that Town's assets are properly safeguarded.

Condition: The Town's police department did not have adequate internal controls surrounding traffic citations as demonstrated in Finding 2017-C2.

Cause: Failure to design and implement standard procedures and adequate internal controls.

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For the Year Ended December 31, 2018

Effect: Failure to design and implement standard procedures and adequate internal controls over police citations exposes the Town to several risks, including, but not limited to, misappropriation of assets and inaccurate or fraudulent financial reporting. As a result, material misstatement in the Town's financial statements may not be prevented or detected.

Recommendation: The Town's Chief of Police should develop written procedures for traffic citations in accordance with state statute and monitor compliance with these procedures.

Management's Response: The Town's officials will meet with legal counsel and review the Louisiana Revised Statutes and best practices for traffic tickets from the Louisiana Legislative Auditor and develop necessary policies and procedures.

Current Year Status: Most of the problems identified above were corrected by the fiscal year ended December 31, 2017. However, during the 2018 audit, some of the above problems have returned. This finding was reevaluated in the current year and reported as part of Finding 2018-I4 within the *Schedule of Findings and Responses*.

Finding 2017-C3 Donation, Loan, or Pledge of Public Credit (Noncompliance)

Year Initial Finding Occurred: Fiscal year ending December 31, 2001

Criteria: Article VII, Section 14(A) of the Louisiana Constitution states that the funds, credit, property, or things of value of the state or any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public to private, unless exception provided for in the constitution.

Condition: The Town engaged in certain transactions during the year and failed to effectively operate its internal control system in such a way that the Town made de-facto loans and donations of public funds. Specifics of the condition area as follows:

1. As noted in Finding 2017-I2, the Town demonstrated insufficient effort in collecting delinquent ad valorem taxes and failed to strictly adhere tax sale procedures. In doing so, funds of the Town were loaned to property holders with delinquent amounts.
2. As noted in Finding 2017-I3, the Town failed to adhere to a strict cutoff policy and demonstrated insufficient effort in collecting delinquent accounts receivable amounts. In doing so, funds of the Town were loaned to customers with delinquent accounts as services continued to be provided to these customers.
3. As noted in Finding 2017-C2, the Town failed to provide documentation of legal and proper procedures for disposal of issued traffic citations or spoiled traffic citations. As such, there exists the possibility that amounts due the Town for traffic Citations were not properly collected.

Cause: Specifics of the condition above are discussed in Findings 2017-I2, 2017-I3, and 2017-C2.

Schedule of Prior Year Findings and Responses
For the Year Ended December 31, 2018

Effect: Noncompliance with the referenced section of the Louisiana Constitution.

Recommendation: See specific recommendations in Findings 2017-I2, 2017-I3, and 2017-C2. Also, the Town should monitor its compliance with applicable laws, regulations, contracts, and grant agreements.

Management's Response: The Town will consider implementing all of the Auditor's recommendations immediately.

Current Year Status: Some of the previous recommendations have been implemented in the current fiscal year and the Town is continuing to work on collections.

This finding was reevaluated in the current year and reported as part of Finding 2018-C3 within the *Schedule of Findings and Responses*.

Finding 2017-C4 Audit Filing Requirement (Noncompliance)

Condition: The Town of Roseland is subject to audit requirements as defined in Revised Statutes 24:513(A) for filing financial audit reports. The deadline for filing is six months after the end of the entity's fiscal year, but may be extended per Legislative Auditor approval. The Town is also contractually obligated to adhere to audit requirements as defined in the grant agreements with its grantors. The audit requirements are to adhere to federal and state laws requiring an audit and to complete and submit the audit to the grantor no later than six months after the audit period. The Town must comply with statutory and contractual deadlines for filing audit reports, but must also ensure that sufficient time is available to complete procedures required in accordance with *Government Auditing Standards*. Additionally, requirements related to the Town's outstanding debt include the requirement for an audit in accordance with state law.

Condition: The Town did not file its audit report by the statutory or contractual deadline.

Cause: Delays in obtaining requested audit information. Delays in the audit procedures related primarily to, but not limited to, the issues noted within the other findings herein.

Effect: The Town is not in compliance with statutory and contractual deadlines for filing audit reports.

Recommendation: The Town should monitor its compliance with applicable laws, regulations, contracts, and grant agreements. Specifically, the Town should monitor audit requirements, including deadlines. The Town should ensure the timely start of the audit as well as timely responses to auditor requests. Additionally, recommendations within the findings above will decrease issues creating delays in the audit and as such, the auditor recommends implementation of those recommendations.

Management's Response: The Town will consider implementing other recommendations immediately and will monitor audit filing deadlines and comply with filing requirements.

Current Year Status: Resolved.

Schedule of Prior Year Findings and Responses
For the Year Ended December 31, 2018

Section II Internal Control and Compliance Material to Federal Awards

No Section II Findings.

Section III Management Letter

No Section III Findings.

Town of Roseland

Statewide Agreed-Upon Procedures

As of and for the Year Ended December 31, 2018



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Independent Accountant's Report on Applying Agreed-Upon Procedures

Honorable Mayor Wanda McCoy and
Members of the Town Council
Town of Roseland
Roseland, Louisiana

We have performed the procedures enumerated below, which were agreed to by the Town of Roseland (Entity) and the Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 01, 2018 through December 31, 2018. The Entity's management is responsible for those C/C areas identified in the SAUP's.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget

Written policies and procedures were obtained and address the functions noted.

b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

Written policies and procedures were obtained and address the functions noted with the following exception: (1) The policy does not specifically address how vendors are added to the vendor list.

Management's Response: The Policies and Procedures will be amended to correct this.

- c) **Disbursements**, including processing, reviewing, and approving
Written policies and procedures were obtained and address the functions noted.
- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
Written policies and procedures were obtained and address the functions noted.
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
Written policies and procedures were obtained and address the functions noted.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
Written policies and procedures were obtained and address the functions noted.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
Per written policies and procedures, the Town does not use any credit cards.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
Written policies and procedures were obtained and address the functions noted.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
Written policies and procedures were obtained. While an ethics policy is in effect at the Town, this policy did not specifically include item #3 and #4 noted in the SAUP.
Management's Response: The Policies and Procedures will be amended to correct this.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
Written policies and procedures were obtained; however, they did not address the functions noted related to debt.
Management's Response: The Policies and Procedures will be amended to correct this.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

The Board met (with a quorum) at least monthly.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

The minutes did not include a reference to monthly budget-to-actual comparisons.

Management's Response: The Town will include monthly budget-to-actual comparison reports in the information given to Board Members and include approval in the board minutes.

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

N/A - The general fund did not have negative ending unrestricted fund balance in the prior year audit report.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

Obtained bank statements and reconciliations for the selected month noting evidence that the reconciliation was prepared within two months of the related statement closing date

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

The bank reconciliations for all accounts did not include evidence of management review.

Management's response: The Town will designate a board member that does not handle cash, post ledgers, or issue checks to review and initial bank reconciliations at future board meetings.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Obtained bank statements and reconciliations for the selected month noting no items aged more than 12 months, except one bank account had three small outstanding deposits that totaled \$32.50 over 12 months old.

Management's Response: The Town will investigate these outstanding items and take the appropriate action to clear.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Obtained listing, only one deposit site.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

There is only one drawer at the Town; typically, only one employee collects the funds. The drawer is reviewed and reconciled to each employee's collections to daily batch reports for each employee.

Management's Response: The Town will consider installing a drawer for each employee collecting funds.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

The employee responsible for cash collections is sometimes responsible for making the deposits; however only after the deposit is prepared by a separate employee.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

The employee responsible for cash collections isn't responsible for recording the related deposit into the general ledger.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

The employee responsible for cash collections isn't responsible for reconciling the bank accounts.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

The Town carries bonds on all employees collecting cash.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under “Bank Reconciliations” above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

Receipts are pre-numbered; however, not all collections had receipts made.

Management’s response: The Town will begin using receipts or maintaining support for all collections.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Two of the ten collections had no support other than the Town’s manual ledger book for collections.

Management’s response: The Town will begin using receipts or maintaining support for all collections.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions noted.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

No exceptions noted.

- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions noted.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management’s representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Obtained listing, only one location that processes payments.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Written policies and procedures were obtained and noted that at least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

- b) At least two employees are involved in processing and approving payments to vendors.

Written policies and procedures were obtained and noted that at least two employees are involved in processing and approving payments to vendors.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Written policies and procedures were obtained and do not specifically address adding/modifying vendor files or periodically reviewing changes to vendor files. However, this is done with the approval of the mayor.

Management's response: The Policies and Procedures will be amended to correct this.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Written policies and procedures were obtained and do not specifically address mailing payments.

Management's response: The Policies and Procedures will be amended to correct this.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.

Obtained supporting documents and noted the disbursement matched the original invoice/billing statement.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Obtained supporting documents and noted segregation of duties tested in #9 above with exception: (1) One invoice of the ten disbursements did not include evidence of approval (initials) as required in the Town's policies. (2) The checks for two of the ten disbursements only had one signature. Written policies require dual signatures. Per discussion, the lack of a second signature was due to the Town not having a clerk at the time of the transaction.

Management's response: The Town will consider adding a Board Member as a signer for all bank accounts.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

11. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement

forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

The reimbursed rate agreed to the GSA rate.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

N/A – all reimbursements were made using per diem as described in item a above.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

No exceptions noted.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions noted.

Payroll and Personnel

12. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Obtained listing of employees/officials employed during the fiscal period and management's representation that the listing is complete. One employee's pay rate was not in the employee's file. Agreed to pay rate on worksheet.

13. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

All daily attendance and sick leave are documented by time cards.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

Attendance and leave are approved by Mayor.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

There was no leave taken during the pay period selected.

- 14. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

There were no termination payments paid during the fiscal period.

- 15. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Obtained management's representation that all items listed above have been filed by the required deadlines.

Ethics

- 16. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Only one of the five employees selected had evidence of completion of ethics training.

Management's response: The Town will have employees complete the ethics training immediately.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

There was no evidence of signature verifications for reading the ethics policy during the fiscal year.

Management's response: The Town will have employees read the ethics policy and sign that he or she has read the policy.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on the control or compliance. Accordingly, this report is not suitable for any other purposes. Under Louisiana Revised Statute R.S.24:513, this report is distributed by the LLA as a public document.

A handwritten signature in black ink that reads "Bruce Harrell & Co." with a stylized flourish at the end.

Bruce Harrell & Company, CPAs
A Professional Accounting Corporation
Kentwood, Louisiana

June 30, 2019