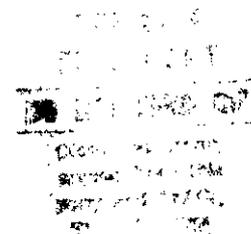


# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Town of Roseland  
Roseland, Louisiana

June 22, 1998



***Financial and Compliance Audit Division***

---

---

**Daniel G. Kyle, Ph.D., CPA, CFE**  
**Legislative Auditor**

**LEGISLATIVE AUDIT ADVISORY COUNCIL**

**MEMBERS**

**Senator Ronald C. Bean, Chairman**  
**Representative Francis C. Thompson, Vice Chairman**

**Senator Robert J. Barham**  
**Senator Wilson E. Fields**  
**Senator Thomas A. Greene**  
**Senator Craig F. Romero**  
**Representative F. Charles McMains, Jr.**  
**Representative Edwin R. Murray**  
**Representative Warren J. Triche, Jr.**  
**Representative David Vitter**

**LEGISLATIVE AUDITOR**

**Daniel G. Kyle, Ph.D., CPA, CFE**

**DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT**

**Albert J. Robinson, Jr., CPA**

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Fifty-two copies of this public document were produced at an approximate cost of \$360.36. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. A copy of this document is available on the Legislative Auditor's Web site at [www.la.state.la.us](http://www.la.state.la.us).

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Director of Administration, at 504/339-3800.

**TOWN OF ROSELAND**  
Roseland, Louisiana

**General Purpose Financial Statements  
and Independent Auditor's Reports  
As of December 31, 1997, and for the  
Years Ended December 31, 1997 and 1996  
With Supplemental Information Schedules**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

June 22, 1998

**TOWN OF ROSELAND**  
Roseland, Louisiana

**General Purpose Financial Statements  
and Independent Auditor's Reports  
As of December 31, 1997, and for the  
Years Ended December 31, 1997 and 1996  
With Supplemental Information Schedules**

**CONTENTS**

**FINANCIAL SECTION**

	<b>Statement</b>	<b>Page No.</b>
<b>Independent Auditor's Report on the Financial Statements</b>		<b>4</b>
<b>General Purpose Financial Statements:</b>		
<b>Combined Balance Sheet - All Fund Types and Account Groups, December 31, 1997</b>	<b>A</b>	<b>6</b>
<b>For the Year Ended December 31, 1997:</b>		
<b>Governmental Funds:</b>		
<b>Combined Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	<b>B</b>	<b>8</b>
<b>Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) and Actual</b>	<b>C</b>	<b>9</b>
<b>Proprietary Fund - Waterworks and Sewer Enterprise Fund:</b>		
<b>Statement of Revenues, Expenses, and Changes in Retained Earnings</b>	<b>D</b>	<b>11</b>
<b>Statement of Cash Flows</b>	<b>E</b>	<b>12</b>

**CONTENTS (CONT.)**  
**FINANCIAL SECTION (CONT.)**

	<b>Statement</b>	<b>Page No.</b>
<b>For the Year Ended December 31, 1996 (Unaudited):</b>		
<b>Governmental Funds:</b>		
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances	F	13
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) and Actual	G	14
Proprietary Fund - Waterworks and Sewer Enterprise Fund - Statement of Revenues, Expenses, and Changes in Retained Earnings	H	16
Notes to the Financial Statements		17
	<b>Schedule</b>	<b>Page No.</b>
<b>Supplemental Information Schedules:</b>		
<b>Special Revenue Funds:</b>		
Combining Balance Sheet	1	33
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - 1997	2	35
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - 1996 (Unaudited)	3	37
Schedule of Amounts Paid the Mayor and Council Members - 1997	4	40
Schedule of Amounts Paid the Mayor and Council Members - 1996 (Unaudited)	5	41

**CONTENTS (CONT.)**

**SINGLE AUDIT SECTION**

	<b>Exhibit</b>
<b>Report on Compliance and on Internal Control Over Financial Reporting Based Solely on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards</b>	<b>A</b>
<b>Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133</b>	<b>B</b>
	<b>Schedule</b>
<b>Schedules of Findings and Questioned Costs:</b>	
<b>Summary of Auditor's Results</b>	<b>A</b>
<b>Financial Statement Findings</b>	<b>B</b>
<b>Federal Award Findings and Questioned Costs</b>	<b>C</b>
<b>Schedule of Unresolved Prior Audit Findings</b>	<b>D</b>
<b>Schedule of Expenditures of Federal Awards and Notes to the Schedule of Expenditures of Federal Awards</b>	<b>E</b>
<b>Management's Corrective Action Plans and Responses to the Findings and Recommendations</b>	<b>F</b>
<b>Summary Schedule of Prior Federal Audit Findings</b>	<b>G</b>



OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
BATON ROUGE, LOUISIANA 70804-9397

DANIEL G. KYLE, PH.D., CPA, CFE  
LEGISLATIVE AUDITOR

1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
TELEPHONE: (504) 339-3800  
FACSIMILE: (504) 339-3870

May 11, 1998

Independent Auditors Report

**HONORABLE JERRY L. ELLZEY, MAYOR,  
AND BOARD OF COUNCILMEN**  
Roseland, Louisiana

We have audited the accompanying general purpose financial statements of the Town of Roseland, as of December 31, 1997, and for the years ended December 31, 1997 and 1996, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town of Roseland and its management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

Except as discussed in the following paragraphs, we conducted our audit in accordance with generally accepted auditing standards and *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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Town of Roseland's accounting records and internal controls for the year ended December 31, 1996, contained major inadequacies, as discussed in our Schedules of Findings and Questioned Costs - Financial Statement Findings (Schedule B) and Federal Award Findings and Questioned Costs (Schedule C). Because of these inadequacies, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the 1996 general purpose financial statements. In addition, for the 1996 year, substantially all note disclosures and a statement of cash flows for the Waterworks and Sewer Enterprise Fund, which are required by generally accepted accounting principles, were omitted.

As discussed in the third paragraph, the Town of Roseland's accounting records and internal controls contained major inadequacies. As a result of those conditions, we were unable to satisfy ourselves about the fund balances and retained earnings at January 1, 1997, as presented in the accompanying 1997 financial statements.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves about the beginning fund balances and retained earnings, as discussed in the preceding paragraph, the accompanying general purpose financial statements referred to previously, present fairly, in all material

LEGISLATIVE AUDITOR

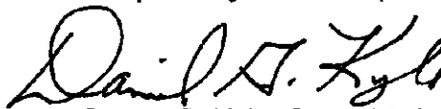
HONORABLE JERRY L. ELLZEY, MAYOR,  
AND BOARD OF COUNCILMEN  
TOWN OF ROSELAND  
Roseland, Louisiana  
May 11, 1998

respects, the financial position of the Town of Roseland, as of December 31, 1997, and the results of its operations and the cash flows of its Waterworks and Sewer Enterprise Fund for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 1998, on our tests of the Town of Roseland's compliance with certain provisions of laws, regulations, contracts, and grants and on its internal control over financial reporting. Also, we have issued our report dated May 11, 1998, on our tests of compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the Town of Roseland taken as a whole. The accompanying schedule of expenditures of federal awards and other supplemental information schedules listed in the table of contents are presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements of the Town of Roseland. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements. Because of the condition of the records for the 1996 year, we were unable to apply sufficient auditing procedures to satisfy ourselves as to the fair presentation of the 1996 financial statements nor were we able to determine if the 1996 schedule of expenditures of federal awards and other supplemental information is fairly stated in relation to the financial statements taken as a whole. In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves about the fund balances and retained earnings at the beginning of the 1997 year, as discussed previously, the 1997 schedule of expenditures of federal awards and other supplemental information is fairly stated in all material respects in relation to the general purpose financial statements taken as whole.

Respectfully submitted,



Daniel G. Kyle, CPA, CPE  
Legislative Auditor

SAZ:LWM:ss

[OPINION]

**TOWN OF ROSELAND**  
**Roseland, Louisiana**  
**ALL FUND TYPES AND ACCOUNT GROUPS**

**Combined Balance Sheet, December 31, 1997**

	GOVERNMENTAL FUND TYPE		PROPRIETARY FUND - WATERWORKS AND SEWER ENTERPRISE FUND
	GENERAL	SPECIAL REVENUE	
<b>ASSETS AND OTHER DEBITS</b>			
Assets:			
Cash (note 3)	\$10,817	\$2,543	\$3,380
Receivable (net of allowance for uncollectible accounts) (note 5)	18,230	5,715	43,835
Interfund receivables (note 11)		4,525	13,882
Prepaid insurance			1,814
Restricted assets - cash (note 3)			10,088
Land, buildings, and equipment (net of accumulated depreciation, where applicable) (note 6)			1,902,368
Other Debits - amount to be provided for retirement of general long-term obligations			
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$29,047</b>	<b>\$12,783</b>	<b>\$1,975,367</b>
<b>LIABILITIES AND EQUITY</b>			
Liabilities:			
Accounts and other payables (note 7)	\$74,649	\$3,838	\$39,559
Payable from restricted assets:			
Customer deposits (note 2)			33,755
Accrued interest			7,223
Interfund payables (note 11)	18,407		
Intergovernmental payable (note 12)		5,058	
Certificate of indebtedness (note 10)			
Bonds payable (note 10)			703,016
<b>Total Liabilities</b>	<b>93,056</b>	<b>8,896</b>	<b>783,553</b>
Equity:			
Contributed capital (note 13)			1,399,619
Investment in general fixed assets (note 6)			
Retained earnings (deficit) (note 2)			(207,805)
Fund balances (deficits) -			
Unreserved-undesignated (note 2)	(64,009)	3,887	
<b>Total Equity</b>	<b>(64,009)</b>	<b>3,887</b>	<b>1,191,814</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$29,047</b>	<b>\$12,783</b>	<b>\$1,975,367</b>

The accompanying notes are an integral part of this statement.

Statement A

ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
		\$16,740
		67,780
		18,407
		1,814
		10,088
\$285,002		2,187,370
	\$3,315	3,315
<u>\$285,002</u>	<u>\$3,315</u>	<u>\$2,305,514</u>
		\$118,046
		33,755
		7,223
		18,407
		5,058
	\$3,315	3,315
		703,016
NONE	3,315	888,820
\$285,002		1,399,619
		285,002
		(207,805)
		(60,122)
<u>285,002</u>	<u>NONE</u>	<u>1,416,694</u>
<u>\$285,002</u>	<u>\$3,315</u>	<u>\$2,305,514</u>

**This page is intentionally blank.**

**TOWN OF ROSELAND**  
**Roseland, Louisiana**  
**GOVERNMENTAL FUNDS**

**Combined Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
For the Year Ended December 31, 1997**

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
<b>REVENUES</b>			
Taxes:			
Ad valorem	\$9,509		\$9,509
Sales and use		\$65,454	65,454
Franchise	18,614		18,614
Licenses and permits	29,218		29,218
Intergovernmental revenues:			
Beer, tobacco, and gaming taxes	11,091		11,091
State grants	1,202		1,202
Federal grants	15,424		15,424
Fines and forfeitures	18,485		18,485
Penalties and interest income		171	171
Donations		2,865	2,865
Other revenue	1,783		1,783
Total revenues	<u>105,326</u>	<u>68,490</u>	<u>173,816</u>
<b>EXPENDITURES</b>			
General government	46,736	25,786	72,522
Public safety:			
Police protection	73,159		73,159
Fire protection	6,551		6,551
Streets and sanitation	13,680		13,680
Debt service	7,195		7,195
Total expenditures	<u>147,321</u>	<u>25,786</u>	<u>173,107</u>
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	(41,995)	42,704	709
<b>OTHER FINANCING SOURCES (Uses)</b>			
Operating transfers in	62,424		62,424
Operating transfers out		(62,424)	(62,424)
Proceeds from short-term obligations (note 10)	3,315		3,315
Total other financing sources (uses)	<u>65,739</u>	<u>(62,424)</u>	<u>3,315</u>
<b>EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	23,744	(19,720)	4,024
<b>FUND BALANCE (Deficit) AT BEGINNING OF YEAR</b>	<u>(87,753)</u>	<u>23,807</u>	<u>(64,146)</u>
<b>FUND BALANCE (Deficit) AT END OF YEAR</b>	<u>(\$64,009)</u>	<u>\$3,887</u>	<u>(\$60,122)</u>

The accompanying notes are an integral part of this statement.

**TOWN OF ROSELAND  
Roseland, Louisiana  
GOVERNMENTAL FUNDS**

**Combined Statement of Revenues, Expenditures,  
and Changes in Fund Balances - Budget  
(GAAP Basis) and Actual  
For the Year Ended December 31, 1997**

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>REVENUES</b>			
Taxes:			
Ad valorem	\$8,000	\$9,509	\$1,509
Sales and use			
Franchise	15,000	18,614	3,614
Licenses and permits	20,400	29,218	8,818
Intergovernmental revenues:			
Beer, tobacco, and gaming taxes	9,500	11,091	1,591
State grants		1,202	1,202
Federal grants		15,424	15,424
Fines and forfeitures	2,500	18,485	15,985
Penalties and interest income			
Other revenue	250	1,783	1,533
Total revenues	<u>55,650</u>	<u>105,326</u>	<u>49,676</u>
<b>EXPENDITURES</b>			
General government	37,515	46,736	(9,221)
Public safety:			
Police protection	36,920	73,159	(36,239)
Fire protection	9,300	6,551	2,749
Streets and sanitation	12,500	13,680	(1,180)
Debt service	8,400	7,195	1,205
Total expenditures	<u>104,635</u>	<u>147,321</u>	<u>(42,686)</u>
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	<u>(48,985)</u>	<u>(41,995)</u>	<u>6,990</u>
<b>OTHER FINANCING SOURCES (Uses)</b>			
Operating transfers in	70,000	62,424	(7,576)
Operating transfers out			
Proceeds from short-term obligations		3,315	3,315
Total other financing sources (uses)	<u>70,000</u>	<u>65,739</u>	<u>(4,261)</u>
<b>EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	21,015	23,744	2,729
<b>FUND BALANCES (Deficit) AT BEGINNING OF YEAR</b>	<u>(87,814)</u>	<u>(87,753)</u>	<u>61</u>
<b>FUND BALANCES (Deficit) AT END OF YEAR</b>	<u>(\$66,799)</u>	<u>(\$64,009)</u>	<u>\$2,790</u>

The accompanying notes are an integral part of this statement.

<u>SALES TAX SPECIAL REVENUE FUND</u>		
<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
\$70,000	\$65,454	(\$4,546)
250	151	(99)
<u>70,250</u>	<u>65,605</u>	<u>(4,645)</u>
460	426	34
<u>460</u>	<u>426</u>	<u>34</u>
<u>69,790</u>	<u>65,179</u>	<u>(4,611)</u>
(70,000)	(62,424)	7,576
<u>(70,000)</u>	<u>(62,424)</u>	<u>7,576</u>
(210)	2,755	2,965
<u>1,800</u>	<u>3,060</u>	<u>1,260</u>
<u>\$1,590</u>	<u>\$5,815</u>	<u>\$4,225</u>

This page is intentionally blank.

<b>INCREASE IN RETAINED EARNINGS</b>	<u>11,421</u>
<b>RETAINED EARNINGS (Deficit) AT BEGINNING OF YEAR</b>	<u>(219,226)</u>
<b>RETAINED EARNINGS (Deficit) AT END OF YEAR</b>	<u><u>(\$207,805)</u></u>

The accompanying notes are an integral part of this statement.

**This page is intentionally blank.**

**TOWN OF ROSELAND**  
**Roseland, Louisiana**  
**PROPRIETARY FUND - WATERWORKS AND**  
**SEWER ENTERPRISE FUND**

**Statement of Cash Flows**  
**For the Year Ended December 31, 1997**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Net loss	(\$57,575)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	\$85,550
(Increase) decrease in:	
Accounts receivable	(3,791)
Due from other funds	6,841
Prepaid insurance	(1,814)
Restricted cash	(7,044)
Increase (decrease) in:	
Accounts payable	7,460
Customer deposits	6,843
Accrued interest	(21,043)
Total adjustments	<u>73,002</u>
Net cash provided by operating activities	15,427
<b>CASH FLOWS (Uses) FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Principal repayments	(10,440)
Acquisition of property, plant, and equipment	(25,251)
Contributed capital - grants	22,078
Write-off of equipment	1,618
Net cash (used by) capital and related financing activities	<u>(11,995)</u>
<b>NET INCREASE IN CASH</b>	<b>3,432</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b><u>(52)</u></b>
<b>CASH AT END OF YEAR</b>	<b><u><u>\$3,380</u></u></b>

The accompanying notes are an integral part of this statement.

**This page is intentionally blank.**

**TOWN OF ROSELAND**  
**Roseland, Louisiana**  
**GOVERNMENTAL FUNDS**

**Combined Statement of Revenues, Expenditures,  
and Changes In Fund Balances  
For the Year Ended December 31, 1996**

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
<b>REVENUES</b>			
Taxes:			
Ad valorem	\$9,249		\$9,249
Sales and use		\$70,463	70,463
Franchise	17,261		17,261
Licenses and permits	20,400		20,400
Intergovernmental revenues:			
Beer, tobacco, and gaming taxes	10,608		10,608
State grants		18,830	18,830
Fines and forfeitures	2,932		2,932
Penalties and interest income		1,104	1,104
Other revenue	(280)		(280)
Total revenues	<u>60,170</u>	<u>90,397</u>	<u>150,567</u>
<b>EXPENDITURES</b>			
General government	46,373	462	46,835
Public works		18,830	18,830
Public safety:			
Police protection	55,860		55,860
Fire protection	6,702		6,702
Streets and sanitation	19,891		19,891
Debt service	8,000		8,000
Total expenditures	<u>136,826</u>	<u>19,292</u>	<u>156,118</u>
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	(76,656)	71,105	(5,551)
<b>OTHER FINANCING SOURCES (Uses)</b>			
Operating transfers in	72,351	24,352	96,703
Operating transfers out	(24,352)	(72,351)	(96,703)
Total other financing sources (uses)	<u>47,999</u>	<u>(47,999)</u>	<u>NONE</u>
<b>EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	(28,657)	23,106	(5,551)
<b>FUND BALANCE (Deficit) AT BEGINNING OF YEAR (As Restated)</b>	<u>(59,096)</u>	<u>501</u>	<u>(58,595)</u>
<b>FUND BALANCE (Deficit) AT END OF YEAR</b>	<u>(\$87,753)</u>	<u>\$23,607</u>	<u>(\$64,146)</u>

The accompanying notes are an integral part of this statement.

Unaudited

**TOWN OF ROSELAND**  
**Roseland, Louisiana**  
**GOVERNMENTAL FUNDS**

**Combined Statement of Revenues, Expenditures,  
 and Changes in Fund Balances - Budget  
 (GAAP Basis) and Actual  
 For the Year Ended December 31, 1996**

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>REVENUES</b>			
Taxes:			
Ad valorem	\$8,000	\$9,249	\$1,249
Sales and use			
Franchise	14,500	17,261	2,761
Licenses and permits	16,600	20,400	3,800
Intergovernmental revenues:			
Beer, tobacco, and gaming taxes	10,500	10,608	108
State grants	4,000		(4,000)
Fines and forfeitures	7,000	2,932	(4,068)
Penalties and interest income			
Other revenue	5,000	(280)	(5,280)
Total revenues	<u>65,600</u>	<u>60,170</u>	<u>(5,430)</u>
<b>EXPENDITURES</b>			
General government	27,240	46,373	(19,133)
Public safety:			
Police protection	34,320	55,860	(21,540)
Fire protection	6,009	6,702	(693)
Streets and sanitation	12,500	19,891	(7,391)
Debt service	10,000	8,000	2,000
Total expenditures	<u>90,069</u>	<u>136,826</u>	<u>(46,757)</u>
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	<u>(24,469)</u>	<u>(76,656)</u>	<u>(52,187)</u>
<b>OTHER FINANCING SOURCES (Uses)</b>			
Operating transfers in	69,000	72,351	3,351
Operating transfers out		(24,352)	(24,352)
Total other financing sources (uses)	<u>69,000</u>	<u>47,999</u>	<u>(21,001)</u>
<b>EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	44,531	(28,657)	(73,188)
<b>FUND BALANCE AT BEGINNING OF YEAR (As Restated)</b>	<u>(87,814)</u>	<u>(59,096)</u>	28,718
<b>FUND BALANCE AT END OF YEAR</b>	<u>(\$43,283)</u>	<u>(\$87,753)</u>	<u>(\$44,470)</u>

The accompanying notes are an integral part of this statement.

Statement G

<u>SALES TAX SPECIAL REVENUE FUND</u>		
<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
\$64,000	\$70,463	\$6,463
250	550	300
<u>64,250</u>	<u>71,013</u>	<u>6,763</u>
525	462	63
<u>525</u>	<u>462</u>	<u>63</u>
<u>63,725</u>	<u>70,551</u>	<u>6,826</u>
<u>(69,000)</u>	<u>(72,351)</u>	<u>(3,351)</u>
<u>(69,000)</u>	<u>(72,351)</u>	<u>(3,351)</u>
(5,275)	(1,800)	3,475
<u>5,550</u>	<u>4,860</u>	<u>(690)</u>
<u>\$275</u>	<u>\$3,060</u>	<u>\$2,785</u>

**This page is intentionally blank.**

**TOWN OF ROSELAND**  
**Roseland, Louisiana**  
**PROPRIETARY FUND - WATERWORKS AND**  
**SEWER ENTERPRISE FUND**

**Statement of Revenues, Expenses, and**  
**Changes in Retained Earnings**  
**For the Year Ended December 31, 1996**

**OPERATING REVENUES**

## Charges for services:

Water sales	\$110,683
Sewer charges	48,219
Tap fees	475
Delinquent charges	6,608
Miscellaneous	248
Total operating revenues	<u>166,233</u>

**OPERATING EXPENSES**

Salaries	38,373
Payroll taxes	2,936
Accounting and auditing	6,670
Attorney	563
Supplies and repairs	11,713
Office expense	3,688
Equipment fuel and rental	4,683
Insurance	6,211
Testing	1,474
Utilities	15,997
Meter reading expense	5,596
Telephone	1,685
Miscellaneous	426
Depreciation	97,243
Total operating expenses	<u>197,258</u>

**OPERATING LOSS** (31,025)

**NONOPERATING EXPENSES**

Interest expense (45,405)

**NET LOSS** (76,430)

**CONTRIBUTED CAPITAL ADJUSTMENTS**

Depreciation on fixed assets acquired by grants that reduce contributed capital 71,049

**DECREASE IN RETAINED EARNINGS** (5,381)

**RETAINED EARNINGS (Deficit) AT BEGINNING OF YEAR** (213,845)

**RETAINED EARNINGS (Deficit) AT END OF YEAR** (\$219,226)

The accompanying notes are an integral part of this statement.

**This page is intentionally blank.**

**TOWN OF ROSELAND**  
Roseland, Louisiana

Notes to the Financial Statements  
As of and for the Year Ended December 31, 1997

**INTRODUCTION**

The Town of Roseland was incorporated in 1892 under the provisions of the "Lawrason Act" [Louisiana Revised Statutes (R.S.) 33:321-481] of the constitution of the State of Louisiana. The town is located in the Parish of Tangipahoa and has a population of 1,093. The town operates under a Board of Councilmen - Mayor form of government and, as permitted under the act, provides police protection; fire protection; roads, streets and sidewalks; sponsorship of federal and state supported programs; water and sewer utilities; and other necessary public services.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

As the municipal governing authority, for reporting purposes, the Town of Roseland is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary municipal government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**B. REPORTING ENTITY**

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Town of Roseland for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the municipality to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits or to impose specific burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.

**TOWN OF ROSELAND**  
Roseland, Louisiana  
Notes to the Financial Statements (Continued)

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

As required by generally accepted accounting principles, these financial statements present the Town of Roseland. Based on the criteria of GASB Statement No. 14, there are no component units to be included either blended within the town's funds or discretely presented in these financial statements.

**C. FUND ACCOUNTING**

The accounts of the town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Government resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report as follows:

**Governmental Funds**

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

1. **General Fund**--The General Fund is the general operating fund of the town. It is used to account for all financial resources except those required to be accounted for in another fund.
2. **Special revenue funds**--account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The town considers all federal grants and entitlements to be special revenue funds other than those dedicated to capital projects or other purposes within the utility enterprise fund. The town has several special revenue funds for the proceeds of drug forfeiture funds, federal capital development block grants, and donations for restoration of the old town hall.

**TOWN OF ROSELAND**  
Roseland, Louisiana  
Notes to the Financial Statements (Continued)

**Proprietary Fund**

The proprietary fund accounts for activities similar to those found in the private sector where the determination of net income is necessary or useful to sound financial administration. The proprietary fund differs from a governmental fund in that its focus is on income measurement which, together with the maintenance of equity, is an important financial indicator. The proprietary fund of the town is the Waterworks and Sewer Enterprise Fund, which accounts for the operations of the waterworks and sewerage systems. The intent of the town for these facilities is (a) that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**D. BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds, including General and Special Revenue Funds, are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included in the funds on the balance sheet with long-term assets and liabilities reported in the account groups. Operating statements of these funds present increases (revenues and other financial sources) and decreases (expenditures and other uses) in net current assets.

Governmental funds are maintained on the modified accrual basis of accounting wherein revenues are recognized in the accounting period in which they become available and measurable. Property taxes are considered measurable in the calendar year of the tax levy that falls within the town's fiscal year. Sales taxes are considered measurable and are recognized in the month received by the parish school board. Gross receipts of business taxes are recognized when received. State shared revenues such as tobacco, beer, and gaming taxes are recorded in the period collected by the state. Licenses, permits, fines, forfeits, and miscellaneous revenues (except investment earnings) are recorded as revenues when received. Charges for services and investment earnings are recorded when earned since they are measurable and available. Revenues from state and federal grants are recognized when the reimbursable expenditures have been incurred. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except that principal and interest on long-term debt are recorded when due.

**TOWN OF ROSELAND**  
Roseland, Louisiana  
Notes to the Financial Statements (Continued)

The Waterworks and Sewer Enterprise Fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the balance sheet. Fund equity (net total assets) is segregated into contributed capital and retained earnings components. The operating statement for the enterprise fund presents increases (revenues) and decreases (expenses) in net total assets.

The Waterworks and Sewer Enterprise Fund is maintained on the accrual basis of accounting wherein revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized in the period incurred, if measurable.

**E. BUDGET PRACTICES**

The town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The town clerk and mayor prepare a proposed budget and submit it to the Board of Councilmen no later than 15 days before the beginning of each fiscal year.
2. A notice is published to inform the public that the proposed budget is available for public inspection and that a public hearing concerning the budget is to be held.
3. A public hearing is held on the proposed budget at least ten days following 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 a budget and appropriation ordinance before the commencement of the fiscal year for which the budget is being adopted.
5. Total departmental expenditures constitute the legal level of budgetary control. That is, budgetary amendments involving the transfer of funds from one department, program or function to another or those involving increases in department expenditures resulting from proposed spending of revenues that exceed amounts estimated require approval of the Board of Councilmen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for the General, Sales Tax Special Revenue Fund, and Waterworks and Sewer Enterprise Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

## **TOWN OF ROSELAND**

Roseland, Louisiana

Notes to the Financial Statements (Continued)

Budgets were not adopted for the other special revenue funds. Budgeted amounts presented are as originally adopted by the Board of Councilmen. No amendments were adopted for the year.

### **F. CASH**

Cash includes cash on hand and amounts in demand deposit accounts. Under state law, the town may deposit funds in demand deposits, interest-bearing demand deposits, and money market or time deposit accounts with state banks organized under Louisiana laws and national banks having their principal offices in Louisiana.

Under state law, the town may also invest in U.S. Government bonds, notes, or certificates. Those with maturities of 90 days or less would be classified as cash equivalents and all others reported as investments.

### **G. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES**

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

### **H. FIXED ASSETS**

Fixed assets of the town are maintained at original cost, except those arising from gifts or donations, which are recorded at their fair market value at the time of donation.

Fixed assets of governmental funds are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized and reported in the general fixed assets account group. Interest costs incurred during construction of general fixed assets are not capitalized. No depreciation has been provided on the general fixed assets. All fixed assets are valued at historical cost or estimated historical cost if historical cost is not available. Public domain or infrastructure assets including roads, bridges, curbs, gutters, streets, sidewalks, drainage, and lighting systems are not capitalized.

Fixed assets used in the Waterworks and Sewer Enterprise Fund operations are included on the balance sheet of the funds net of accumulated depreciation. Interest and other financing costs incurred during construction of Waterworks and Sewer Enterprise Fund fixed assets are capitalized. Depreciation of all exhaustible fixed assets used by the Waterworks and Sewer Enterprise Fund operations is charged as an expense against operations. Depreciation is computed using the straight-line method based on estimated useful lives of the assets as follows:

**TOWN OF ROSELAND**  
 Roseland, Louisiana  
 Notes to the Financial Statements (Continued)

<b>Water Utility:</b>	
Wells	25-40 years
Storage tanks	15-40 years
Lines and meters	30-40 years
Miscellaneous equipment	5-10 years
<b>Sewer Utility:</b>	
Wet well and pumps	10 years
Lagoon and fence	20 years
Force mains and lift stations	30 years
Collection system - lines	50 years

Contributed capital is recorded in the Waterworks and Sewer Enterprise Fund to account for contributions of capital assets from other governments, private developers, and others and to recognize grants and other contributed funds dedicated and restricted to the acquisition or construction of capital assets. The contributed capital is amortized based on the depreciation recognized on the fixed assets contributed or those acquired or constructed from contributed resources. This depreciation is closed to the contributed capital account and recorded as a retirement of contributed capital and an adjustment to net income.

**I. COMPENSATED ABSENCES**

Permanent, full-time employees earn annual leave on the anniversary date of their employment based on years of service. Such leave may not carry over or accumulate from one anniversary date to another. Therefore, only the current-year unused leave from the employees' most recent anniversary date to the current fiscal year-end is subject to accrual. This amount is not considered material and no liability is recorded in the accompanying statements.

Sick leave is earned at the rate of one day per month to a maximum of 10 days per year, and no more than 30 days may be accumulated at any time. The policy provides that sick leave is paid only for designated absences and that no payment for accrued sick leave is made upon retirement or termination. Therefore, accrual of the liability for unused sick leave is not required.

**TOWN OF ROSELAND**  
Roseland, Louisiana  
Notes to the Financial Statements (Continued)

**J. LONG-TERM OBLIGATIONS**

Long-term obligations expected to be financed from governmental funds are reported in the general long-term obligations account group. Expenditures for principal and interest payments for long-term obligations are recognized in the governmental fund when due. Long-term obligations expected to be financed from the Waterworks and Sewer Enterprise Fund operations are accounted for in that fund.

**K. TOTAL COLUMNS ON COMBINED STATEMENTS**

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund items are not eliminated from the total column.

**2. DEFICITS IN FUND BALANCE AND RETAINED EARNINGS**

As shown on Statement A, the General Fund has a deficit in Unreserved-Undesignated Fund Balance of \$64,009 and the Waterworks and Sewer Enterprise Fund has a deficit in total Retained Earnings of \$207,805 for the year ended December 31, 1997. In addition, the individual 1993 Summer Food Service Program Special Revenue Fund had a deficit in Unreserved-Undesignated Fund Balance of \$4,371.

Management of the town plans on addressing the deficits in the General Fund and the Waterworks and Sewer Enterprise Fund as follows:

1. The town's budget document dated November 13, 1997, is a three-year plan to reduce the deficit in the General Fund by December 31, 2000. The town plans to accomplish this by keeping current spending levels below current revenues and applying all excess revenues to reducing the deficit. The town has reduced the December 31, 1996, deficit by \$23,744 as of December 31, 1997. In the first quarter ending March 31, 1998, an additional \$13,385 of accounts payable was paid to further reduce the deficit.
2. The town's plans for the Water and Sewer Enterprise Fund are to fund all accounts as required by the bond resolution and to reduce the deficit as funds become available. In the first quarter ending March 31, 1998, \$8,722 of accounts payable were paid to reduce the deficit and the bond reserve account was funded by an additional \$1,390. The town will continue to review the financial statements quarterly to determine if a rate increase or other actions are required to further reduce the deficit.

**TOWN OF ROSELAND**  
 Roseland, Louisiana  
 Notes to the Financial Statements (Continued)

3. The deficit in the 1993 Summer Food Service Program Special Revenue Fund will be eliminated by transferring funds from the General Fund as monies become available. It is anticipated that monies will become available during the 1999 calendar year.

**3. CASH**

At December 31, 1997, the town has cash (book balances) of \$26,828 (including \$10,088 of restricted cash) as follows:

Cash on hand	\$490
Demand deposits	<u>26,338</u>
Total	<u>\$26,828</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. The bank balance of \$28,889 at December 31, 1997, is secured from risk by federal deposit insurance (GASB Risk Category 1).

The above balances include \$10,088 in restricted assets in the Waterworks and Sewer Enterprise Fund. The restricted assets include \$325 of cash in accounts that are required to be maintained under various bond indentures and \$9,763 in its water meter customer deposit account. However, the town has recognized a liability for \$33,755 in deposits held for water meters, resulting in an underfunding of water meter customer deposits by \$23,992.

**4. LEVIED TAXES**

Ad valorem taxes are levied by the town in October and billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

For the year ended December 31, 1997, taxes of 5.79 mills were authorized and levied on property with assessed valuations totaling \$1,490,531. All taxes are available for general corporate purposes. Total taxes levied for the year ended December 31, 1997, are \$8,630. Taxes receivable at December 31, 1997, are \$5,338.

**5. RECEIVABLES**

Receivables as of December 31, 1997, are as follows:

**TOWN OF ROSELAND**  
Roseland, Louisiana  
Notes to the Financial Statements (Continued)

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Proprietary Fund</u>	<u>Total</u>
<b>Taxes, licenses, and fees:</b>				
Ad valorem	\$5,338			\$5,338
Sales and use tax		\$5,715		5,715
Utility franchise fees	5,910			5,910
<b>Intergovernmental:</b>				
Rural Developmental Grant			\$11,207	11,207
COPS Grant	6,950			6,950
Video Poker	765			765
Tobacco tax	1,421			1,421
Beer tax	501			501
Utility billings			44,859	44,859
Less allowance for uncollectible accounts	<u>(2,655)</u>		<u>(12,231)</u>	<u>(14,886)</u>
<b>Total</b>	<u><u>\$18,230</u></u>	<u><u>\$5,715</u></u>	<u><u>\$43,835</u></u>	<u><u>\$67,780</u></u>

**6. FIXED ASSETS**

Changes in general fixed assets for 1997 are as follows:

<u>General Fixed Assets</u>	<u>Balance at January 1, 1997</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at December 31, 1997</u>
Land	\$58,693			\$58,693
Buildings	150,672			150,672
Equipment	75,141	\$24,737	\$24,241	75,637
<b>Total</b>	<u><u>\$284,506</u></u>	<u><u>\$24,737</u></u>	<u><u>\$24,241</u></u>	<u><u>\$285,002</u></u>

A schedule of changes in the Waterworks and Sewer Enterprise Fund's property, plant, and equipment for 1997 follows:

**TOWN OF ROSELAND**  
Roseland, Louisiana  
Notes to the Financial Statements (Continued)

Net Property, Plant, and Equipment at January 1, 1997	\$1,962,667
Additions	25,251
Depreciation	<u>(85,550)</u>
 Net Property, Plant, and Equipment at December 31, 1997	 <u><u>\$1,902,368</u></u>

<u>Fund</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Property, Plant, and Equipment</u>
Land	\$53,941		\$53,941
Buildings	19,861	\$7,345	12,516
Water system	1,726,435	757,399	969,036
Sewer system	1,166,239	303,002	863,237
Equipment	25,423	21,785	3,638
 Total	 <u><u>\$2,991,899</u></u>	 <u><u>\$1,089,531</u></u>	 <u><u>\$1,902,368</u></u>

**7. PAYABLES**

The following is a summary of payables at December 31, 1997:

	<u>Governmental Funds</u>		<u>Wateworks and Sewer Enterprise Fund</u>	<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>		
Accounts payable	\$21,325	\$3,838	\$34,997	\$60,160
Liens and judgment payable	41,197			41,197
Workman's compensation payable	1,476		736	2,212
Fines payable			2,303	2,303
Payroll deductions and employer's payable	10,651		1,523	12,174
 Total	 <u><u>\$74,649</u></u>	 <u><u>\$3,838</u></u>	 <u><u>\$39,559</u></u>	 <u><u>\$118,046</u></u>

**TOWN OF ROSELAND**  
Roseland, Louisiana  
Notes to the Financial Statements (Continued)

**8. PENSION PLAN**

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

All other employees are covered under the social security system, excluding the mayor and councilmen who are not included under either a pension plan or social security. Under MPERS, employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (504) 929-7411.

Plan members are required by state statute to contribute 7.5% of their annual covered salary and the Town of Roseland is required to contribute at an actuarially determined rate. The current rate is 9% of annual covered payroll. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Roseland's contributions to the System for 1997, 1996, and 1995 were \$1,932, \$1,904, and \$1,568, respectively, and its annual payrolls covered by the retirement system, including state supplemental pay, were \$21,468, \$21,228, and \$17,422, respectively.

**9. LEASES**

The town does not have any operating or capital leases.

**10. LONG-TERM OBLIGATIONS**

A detailed summary of all obligations outstanding at December 31, 1997, and changes in long-term obligations for the year then ended are as follows:

**TOWN OF ROSELAND**  
Roseland, Louisiana  
Notes to the Financial Statements (Continued)

	Balance at January 1, 1997	Additions	Reductions	Balance at December 31, 1997
<b>General Long-Term Obligations</b>				
<b>Account Group</b>				
Ford Motor Credit Capital Lease	\$7,722		(\$7,722)	
First Guaranty Certificates of Indebtness:				
Issued December 23, 1987	6,133		(6,133)	
Issued December 22, 1997		\$3,315		\$3,315
Total	<u>13,855</u>	<u>3,315</u>	<u>(13,855)</u>	<u>3,315</u>
<b>Waterworks and Sewer Enterprise Fund</b>				
U.S. Department of Agriculture				
Rural Development Revenue Bonds:				
Series A	453,080		(8,302)	444,778
Series B	260,376		(2,138)	258,238
Total Proprietary Fund	<u>713,456</u>	<u>NONE</u>	<u>(10,440)</u>	<u>703,016</u>
 Total long-term obligations	 <u>\$727,311</u>	 <u>\$3,315</u>	 <u>(\$24,295)</u>	 <u>\$706,331</u>

Before calendar year 1997, the town had an obligation for a capital lease for the lease-purchase of a 1994 police car. The leased asset and the related obligation were accounted for in the General Fixed Assets Account Group and the General Long-Term Obligations Account Group, respectively. The car was stolen and destroyed in 1996, and the lease was accelerated. Both the leased asset and the related obligation were removed in 1997 from the General Fixed Assets Account Group and the General Long-Term Obligations Account Group. In 1997, Ford Motor Credit obtained a judgment against the town, and the obligation was recorded in the General Fund.

On December 23, 1987, the town issued a certificate of indebtedness to First Guaranty Bank in the principal amount of \$25,000 for the purpose of refinancing the original debt on the town hall. On December 22, 1997, the town refinanced the remaining indebtedness on this debt by issuing a certificate of indebtedness to First Guaranty Bank in the principal amount of \$3,315. Payments include both principal and interest, at a rate of 10%, payable from the General Fund in 12 monthly payments of \$292.

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

**TOWN OF ROSELAND**  
Roseland, Louisiana  
Notes to the Financial Statements (Continued)

\$272,000, dated May 23, 1988, were due in annual installments of principal and interest totaling \$18,480 payable for 40 years, with interest at 6.125%.

The bond agreements for these revenue bonds require a Combined Waterworks and Sewerage System Revenue Bond Reserve Fund ("Reserve Fund") funded by monthly payments based on 5% of the annual bond payments until the accumulation of a sum equal to the highest combined principal and interest falling due in any succeeding year. By December 31, 1997, the Reserve Fund should have totaled \$22,045; however, this account only has \$11. In addition, these bond agreements require a Depreciation and Contingency Fund funded by monthly payments of \$221 each month until the bonds have been retired. The fund is to be used for payment of extraordinary maintenance, repairs, and replacements. By December 31, 1997, the Depreciation and Contingency Fund should have totaled \$26,520; however, this account only has \$213.

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

The annual requirements to amortize all long-term obligations outstanding at December 31, 1997, including interest of \$902,179 are as follows:

	USDA Rural Development FmHA Revenue Bonds		Certificate of Indebtness	Total
	1988-A	1988-B	1997	
1998	\$34,864	\$22,158	\$3,498	\$60,520
1999	33,094	18,480		51,574
2000	33,094	18,480		51,574
2001	33,094	18,480		51,574
2002	33,094	18,480		51,574
Thereafter	860,706	480,988		1,341,694
Total	<u>\$1,027,946</u>	<u>\$577,066</u>	<u>\$3,498</u>	<u>\$1,608,510</u>

**TOWN OF ROSELAND**  
 Roseland, Louisiana  
 Notes to the Financial Statements (Continued)

**11. INTERFUND RECEIVABLES/PAYABLES**

The following is a summary of interfund receivables/payables at December 31, 1997:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Waterworks and Sewer Enterprise Fund	General Fund	\$13,882
1993 Summer Food Service	General Fund	<u>4,525</u>
Total		<u>\$18,407</u>

**12. INTERGOVERNMENTAL PAYABLE**

The town has recorded \$5,058 as an intergovernmental payable in the 1993 Summer Food Service Program Special Revenue Fund. This represents the amount due to the Louisiana Department of Education as a result of an audit of the 1993 Summer Food Service Program.

**13. CONTRIBUTED CAPITAL**

The Waterworks and Sewer Enterprise Fund receives contributions from federal, state, private, and other sources for the purposes of acquiring or constructing capital facilities. Retirement of such capital contributions is the equivalent of the depreciation charge against the assets acquired with the funds.

The addition, sources, retirement, and other reductions or changes in contributed capital during 1997 are as follows:

Contributed capital - January 1, 1997	\$1,449,243
Additions (deductions):	
Adjustment to remove that portion of certain assets no longer in possession of the town acquired by grants net of depreciation	(2,706)
Depreciation on fixed assets acquired by grants - 1997	(68,996)
State of Louisiana - block grant - sewer system	<u>22,078</u>
Contributed capital - December 31, 1997	<u>\$1,399,619</u>

In accordance with GASB Codification G60.116, contributed capital will be reduced for that portion of the depreciation charges of the waterworks and sewerage systems that was purchased with proceeds of grants.

**TOWN OF ROSELAND**

Roseland, Louisiana

Notes to the Financial Statements (Concluded)

**14. CONTINGENCIES**

There are three lawsuits or claims pending in which the town is involved. The town's attorney estimates that the potential claims against the town not covered by insurance resulting from such litigation ranges from \$27,244 to \$46,684. The town has recorded \$41,197 as payables in the General Fund for these claims.

**15. CONTINGENT FINES FOR WATER VIOLATIONS**

The Town of Roseland was cited for numerous violations of the State Sanitary Code on March 8, 1996, which resulted in the assessment of penalties of \$30,583. The town submitted to an agreement which reduced the penalties to \$3,058 if the town addressed the violations. The town paid \$767 in 1997 and recorded \$2,303, which includes \$12 for money order fees, as payables of the Waterworks and Sewer Enterprise Fund at December 31, 1997 (note 7). The town may be required to pay the remaining \$27,525 in imposed penalties if the state health officer is not satisfied that the town has complied with the administrative order by May 1, 1998. Management of the town believes that the town is doing everything possible to comply with the remaining items, and has verbally received extensions to December 31, 1998, to plug one unusable well and to December 31, 1999, to plug or refurbish an inactive well.

**This page is intentionally blank.**

**TOWN OF ROSELAND**  
**Roseland, Louisiana**  
**SUPPLEMENTAL INFORMATION SCHEDULE**  
**As of and for the Two Years Ended December 31, 1997**

**SPECIAL REVENUE FUNDS**

Special Revenue Funds account for the proceeds of specific revenues that are legally restricted for specific purposes.

**SALES TAX FUND**

The Sales Tax Fund is used to account for the receipt and use of proceeds of the town's one percent sales and use tax authorized by Ordinance Number 158 adopted November 6, 1987, and an additional one percent sales and use tax authorized by the adoption of Ordinance Number 182 revising and extending Ordinance Number 158 increasing the original sales tax from one percent to two percent effective April 12, 1982. Although the tax may be used for any purpose, the ordinance requires separate accounting for sales tax.

**1993 SUMMER FOOD SERVICE PROGRAM FUND**

The 1993 Summer Food Service Program accounts for the remaining federal grant funds disbursed by the Louisiana Department of Education for the operation of a nonprofit food service program for children on school vacation during the summer of 1993.

**FISCAL YEAR 1992 LOUISIANA COMMUNITY DEVELOPMENTAL  
BLOCK GRANT FUND (LCDBG)**

The Fiscal Year 1992 Louisiana Community Developmental Block Grant Fund accounts for the community development block grant for a sewer project expansion in the town's jurisdiction.

**DRUG ASSET FORFEITURE FUND**

The Drug Asset Forfeiture Fund accounts for funds received from the federal government related to property seized in drug assets and is used for police purposes.

**OLD TOWN HALL RESTORATION FUND**

The Old Town Hall Restoration Fund accounts for funds donated for the restoration of the old town hall.

**TOWN OF ROSELAND  
 Roseland, Louisiana  
 SPECIAL REVENUE FUNDS**

**Combining Balance Sheet, December 31, 1997**

	SALES TAX FUND	1993 SUMMER FOOD SERVICE PROGRAM FUND
	<u>        </u>	<u>        </u>
<b>ASSETS</b>		
Cash	\$100	
Receivables	5,715	
Interfund receivable		\$4,525
	<u>        </u>	<u>        </u>
<b>TOTAL ASSETS</b>	<u>\$5,815</u>	<u>\$4,525</u>
 <b>LIABILITIES AND FUND EQUITY</b>		
Liabilities:		
Accounts and other payables		\$3,838
Intergovernmental payable		5,058
Total Liabilities	<u>NONE</u>	<u>8,896</u>
Equity - fund balances (deficit) - unreserved	<u>\$5,815</u>	<u>(4,371)</u>
	<u>        </u>	<u>        </u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$5,815</u>	<u>\$4,525</u>

FISCAL YEAR 1992 LCDBG FUND	DRUG ASSET FORFEITURE FUND	OLD TOWN HALL RESTORATION FUND	TOTAL
\$12	\$399	\$2,032	\$2,543
			5,715
			4,525
<u>\$12</u>	<u>\$399</u>	<u>\$2,032</u>	<u>\$12,783</u>
			\$3,838
			5,058
NONE	NONE	NONE	8,896
\$12	\$399	\$2,032	3,887
<u>\$12</u>	<u>\$399</u>	<u>\$2,032</u>	<u>\$12,783</u>

**TOWN OF ROSELAND  
Roseland, Louisiana  
SPECIAL REVENUE FUNDS**

**Combining Schedule of Revenues, Expenditures,  
and Changes in Fund Balance  
For the Year Ended December 31, 1997**

	SALES TAX FUND	1993 SUMMER FOOD SERVICE PROGRAM FUND
<b>REVENUES</b>		
Taxes:		
Sales and use	\$65,454	
Penalties and interest income	151	
Donations		
Total revenues	<u>65,605</u>	<u>NONE</u>
<b>EXPENDITURES</b>		
General government:		
Collection fees	426	
Capital outlay		
Repairs and maintenance		
Miscellaneous		
Total expenditures	<u>426</u>	<u>NONE</u>
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	65,179	NONE
<b>OTHER FINANCING USES</b>		
Operating transfers out	<u>(62,424)</u>	<u>NONE</u>
<b>EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	2,755	NONE
<b>FUND BALANCE (Deficit) AT BEGINNING OF YEAR</b>	<u>3,060</u>	<u>(\$4,371)</u>
<b>FUND BALANCE (Deficit) AT END OF YEAR</b>	<u>\$5,815</u>	<u>(\$4,371)</u>

FISCAL YEAR 1992 LCDBG FUND	DRUG ASSET FORFEITURE FUND	OLD TOWN HALL RESTORATION FUND	TOTAL
			\$65,454
	\$20		171
	648	\$2,217	2,865
<u>NONE</u>	<u>668</u>	<u>2,217</u>	<u>68,490</u>
			426
	24,405		24,405
	258	149	407
	512	36	548
<u>NONE</u>	<u>25,175</u>	<u>185</u>	<u>25,786</u>
NONE	(24,507)	2,032	42,704
<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>(62,424)</u>
NONE	(24,507)	2,032	(19,720)
<u>\$12</u>	<u>24,906</u>	<u>NONE</u>	<u>23,607</u>
<u>\$12</u>	<u>\$399</u>	<u>\$2,032</u>	<u>\$3,887</u>

Unaudited

**TOWN OF ROSELAND**  
**Roseland, Louisiana**  
**SPECIAL REVENUE FUNDS**

**Combining Schedule of Revenues, Expenditures,  
 and Changes in Fund Balance  
 For the Year Ended December 31, 1996**

	SALES TAX FUND	1993 SUMMER FOOD SERVICE PROGRAM FUND
<b>REVENUES</b>		
Taxes:		
Sales and use	\$70,463	
Penalties and interest income	550	
Intergovernmental revenues - state grant		
Total revenues	71,013	NONE
<b>EXPENDITURES</b>		
General government - collection fees	462	
Public works		
Total expenditures	462	NONE
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	70,551	NONE
<b>OTHER FINANCING SOURCES (Uses)</b>		
Operating transfers in		
Operating transfers out	(72,351)	
Total other financing sources (uses)	(72,351)	NONE
<b>EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	(1,800)	NONE
<b>FUND BALANCE (Deficit) AT BEGINNING OF YEAR</b>	4,860	(\$4,371)
<b>FUND BALANCE (Deficit) AT END OF YEAR</b>	\$3,060	(\$4,371)

Schedule 3

FISCAL YEAR 1992 LCDBG FUND	DRUG ASSET FORFEITURE FUND	TOTAL
		\$70,463
	\$554	1,104
\$18,830		18,830
<u>18,830</u>	<u>554</u>	<u>90,397</u>
		462
18,830		18,830
<u>18,830</u>	<u>NONE</u>	<u>19,292</u>
NONE	554	71,105
	24,352	24,352
		(72,351)
<u>NONE</u>	<u>24,352</u>	<u>(47,999)</u>
NONE	24,906	23,106
12	NONE	501
<u>\$12</u>	<u>\$24,906</u>	<u>\$23,607</u>

**This page is intentionally blank.**

**TOWN OF ROSELAND**  
**Roseland, Louisiana**  
**SUPPLEMENTAL INFORMATION SCHEDULE**

**Compensation Paid Mayor and Council Members**  
**For the Year Ended December 31, 1997**

Anthony Distefano, Councilman	\$1,250
Jerry L. Elzey:	
As Mayor	7,500
As Street Superintendent	2,700
Paula Hughes, Councilman	1,250
John Pritchett, Sr., Councilman	1,250
Lee Terrell, Councilman	1,250
Frederik Widas, Councilman	<u>1,150</u>
Total	<u><u>\$16,350</u></u>

**This page is intentionally blank.**

**TOWN OF ROSELAND  
Roseland, Louisiana  
SUPPLEMENTAL INFORMATION SCHEDULE**

**Compensation Paid Mayor and Council Members  
For the Year Ended December 31, 1996**

Anthony Distefano, Councilman	\$1,000
Jerry L. Ellzey, Councilman	1,000
Donald Hammons, Councilman	1,250
Leona Morris, Councilman	1,000
Louis Ruffino, Mayor	8,000
Sandra Turner, Councilman	<u>935</u>
Total	<u><u>\$13,185</u></u>

**This page is intentionally blank.**

**REPORTS REQUIRED BY**  
**GOVERNMENT AUDITING STANDARDS**  
**AND OFFICE OF MANAGEMENT AND BUDGET (OMB) CIRCULAR A-133**

The following pages contain reports on internal control and compliance with laws and regulations required by *Government Auditing Standards*, issued by the Comptroller General of the United States, and by OMB Circular A-133. The report on compliance is based solely on the audit of the presented financial statements and presents, where applicable, compliance matters that would be material to the presented financial statements. The report on internal controls over financial reporting is also based solely on the audit of the presented financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses. OMB Circular A-133 requires a report on compliance with requirements applicable to major programs and an opinion as to whether the auditee complied with requirements that, if noncompliance occurred, could have a direct and material effect on a major program.



OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
BATON ROUGE, LOUISIANA 70804-9397

DANIEL G. KYLE, PH.D., CPA, CFE  
LEGISLATIVE AUDITOR

1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
TELEPHONE: (504) 339-3800  
FACSIMILE: (504) 339-3870

May 11, 1998

Report on Compliance and on Internal Control Over Financial  
Reporting Based on an Audit of Financial Statements Performed  
in Accordance With Government Auditing Standards

**HONORABLE JERRY L. ELLZEY, MAYOR,  
AND BOARD OF COUNCILMEN  
TOWN OF ROSELAND**  
Roseland, Louisiana

We have audited the general purpose financial statements of the Town of Roseland as of December 31, 1997, and for the years ended December 31, 1997 and 1996, and have issued our report thereon dated May 11, 1998.

Because of major inadequacies in accounting records and internal controls of the Town of Roseland, as discussed in the Schedules of Findings and Questioned Costs - Financial Statement Findings (Schedule B) and Federal Award Findings and Questioned Costs (Schedule C), the scope of our work was not sufficient to enable us to express an opinion on the 1996 general purpose financial statements. Because of these inadequacies, we were also not able to satisfy ourselves about the fund balances and retained earnings at January 1, 1997, resulting in a qualified opinion on the 1997 general purpose financial statements.

Except as discussed in the first paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether the Town of Roseland's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion.

The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs (Schedule B) as items B-97-1 and B-97-6. We also noted an immaterial instance of noncompliance, which is reported in the accompanying Schedule of Findings and Questioned Costs as item B-97-3.

**EXHIBIT A**

LEGISLATIVE AUDITOR

HONORABLE JERRY L. ELLZEY, MAYOR,  
AND BOARD OF COUNCILMEN  
TOWN OF ROSELAND  
May 11, 1998  
Page 2

**Internal Control Over Financial Reporting**

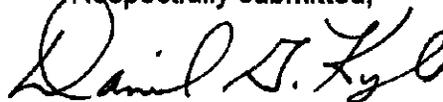
In planning and performing our audit, we considered the Town of Roseland's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town of Roseland's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions include all items in Schedule B and Schedule C of the accompanying Schedules of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, except for items B-97-3 and B-97-7, we consider all the reportable conditions described previously to be material weaknesses.

In connection with our audit, we reviewed the prior audit findings on compliance and internal control to determine whether management had implemented appropriate action to correct the conditions giving rise to those findings. The results of our review indicate that management had taken appropriate corrective action with respect to the prior audit findings, except for the matters described in the Schedule of Unresolved Prior Audit Findings (Schedule D), which have been addressed in our current report.

This report is intended for the information and use of the mayor and certain other elected officials of the Town of Roseland as well as federal awarding agencies. However, by provisions of state law, this report is a public document, and it has been distributed to other public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE  
Legislative Auditor

SAZ:LWM:ss  
[ROSELAND]



DANIEL G. KYLE, PH.D., CPA, CFE  
LEGISLATIVE AUDITOR

OFFICE OF  
LEGISLATIVE AUDITOR  
STATE OF LOUISIANA  
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
TELEPHONE: (504) 339-3800  
FACSIMILE: (504) 339-3870

May 11, 1998

Report on Compliance With Requirements Applicable to Each  
Major Program and Internal Control Over Compliance in  
Accordance With OMB Circular A-133

HONORABLE JERRY L. ELLZEY, MAYOR,  
AND BOARD OF COUNCILMEN  
TOWN OF ROSELAND  
Roseland, Louisiana

**Compliance**

We have audited the compliance of the Town of Roseland with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the two years ended December 31, 1997. The Town of Roseland's major federal programs are identified in the Summary of Auditor's Results section (Schedule A) of the accompanying schedules of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the mayor and other elected officials of the Town of Roseland and their appointees (management). Our responsibility is to express an opinion on the Town of Roseland's compliance based on our audit.

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

EXHIBIT B

## LEGISLATIVE AUDITOR

HONORABLE JERRY L. ELLZEY, MAYOR,  
AND BOARD OF COUNCILMEN  
TOWN OF ROSELAND  
May 11, 1998  
Page 2

As described in item C-97-1 in the accompanying Schedule of Findings and Questioned Costs (Schedule C), the Town of Roseland did not comply with requirements regarding the repayment of loan balances that are applicable to its Water and Waste Disposal Systems for Rural Communities program (CFDA 10.760). Compliance with such requirements is necessary, in our opinion, for the Town of Roseland to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town of Roseland complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the two years ended December 31, 1997.

### Internal Control Over Compliance

The mayor and other elected officials of the Town of Roseland and their appointees (management) are responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Roseland's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Town of Roseland's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs (Schedule C), as item C-97-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described previously to be a material weakness.

LEGISLATIVE AUDITOR

HONORABLE JERRY L. ELLZEY, MAYOR,  
AND BOARD OF COUNCILMEN  
TOWN OF ROSELAND

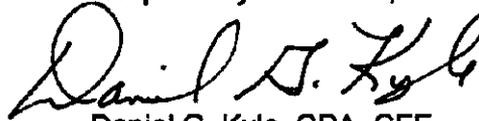
May 11, 1998

Page 3

In connection with our audit, we reviewed the prior year findings on compliance and internal control to determine whether management had implemented appropriate action to correct the conditions giving rise to those findings. The results of our review indicate that management had taken appropriate corrective action with respect to the prior year findings, except for the matters described in the Schedule of Unresolved Prior Audit Findings (Schedule D), which have been addressed in our current report.

This report is intended for the information and use of the mayor and certain other elected officials of the Town of Roseland as well as federal awarding agencies. However, by provisions of state law, this report is a public document, and it has been distributed to other public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE  
Legislative Auditor

SAZ:LWM:ss  
[ROSELAND]

# Schedule A

Summary of Auditor's Results  
For the Two Years Ended  
December 31, 1997



TOWN OF ROSELAND  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results  
 For the Two Years Ended December 31, 1997

**Financial Statements**

Type of auditor's report issued:	<u>Disclaimer for 1996</u> <u>Qualified for 1997</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>  X  </u> yes <u>      </u> no
Reportable condition(s) identified not considered to be material weaknesses?	<u>  X  </u> yes <u>      </u> none reported
Noncompliance material to financial statements noted?	<u>  X  </u> yes <u>      </u> no

**Federal Awards**

Type of auditor's report issued on compliance for major programs:	<u>Qualified for major program</u>
Internal control over major programs:	
Material weakness(es) identified?	<u>  X  </u> yes <u>      </u> no
Reportable condition(s) identified not considered to be material weaknesses?	<u>      </u> yes <u>  X  </u> none reported
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<u>  X  </u> yes <u>      </u> no

Identification of major programs:

CFDA Number(s) - Name of Federal Program or Cluster  
 10.854 - Rural Economic Development Loans and Grants

Dollar threshold used to distinguish between Type A and Type B programs:	<u>  \$300,000  </u>
Auditee qualified as low-risk auditee?	<u>      </u> yes <u>  X  </u> no

**This page is intentionally blank.**

# Schedule B

Financial Statement Findings  
For the Two Years Ended  
December 31, 1997



**TOWN OF ROSELAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Financial Statement Findings  
For the Two Years Ended December 31, 1997

**COMPLIANCE WITH LAWS, REGULATIONS,  
CONTRACTS, AND GRANTS**

**B-97-1 - Failure to Comply With Local Government Budget Act**

For the seventh consecutive audit period since 1987, the town did not comply with the budget requirements set forth in Louisiana Revised Statutes (R.S.) 39:1301-1314 (Louisiana Local Government Budget Act). The act contains various budget requirements for the General Fund and special revenue funds for political subdivisions of the state. During our audit, we determined that, because of the overall lack of a control conscious environment by town officials, the town has not properly complied with the requirements of the act as follows:

1. Budget preparation - The act requires that the chief executive officer (mayor) prepare a proposed budget that includes a budget message, a proposed budget for the General Fund and each special revenue fund, and a proposed budget adoption instrument that specifies the mayor's authority to make budgetary amendments without approval of the Town Council.
  - For the year ended December 31, 1997:
    - The mayor did not prepare a budget for the Drug Asset Forfeiture Fund and the Roseland Town Hall Restoration Fund.
    - The budget did not contain language that specified that the mayor had authority to make budgetary amendments without approval of the Town Council.
  - For the year ended December 31, 1996:
    - The mayor did not prepare a budget for the Louisiana Community Block Grant and the Drug Asset Forfeiture Funds.
    - The budget provided did not include a budget message.
    - The budget did not contain language that specified that the mayor had authority to make budgetary amendments without approval of the Town Council.

**LEGISLATIVE AUDITOR**

**TOWN OF ROSELAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Financial Statement Findings (Continued)**

2. Budget submission, inspection, and adoption - The act requires that the mayor submit the proposed budget to the Town Council and make it available for public inspection at least 15 days before the beginning of the budget year. The act further requires all actions necessary to adopt and finalize the budget be completed before the beginning of the budget year. For the year ended December 31, 1996, the mayor did not submit the proposed budget to the Town Council or make it available for public inspection until January 10, 1996, and the budget was not adopted until July 9, 1996.
3. The adopted budget must be balanced with approved expenditures that do not exceed the total of estimated funds available. For the years ended December 31, 1997 and 1996, budgeted expenditures of the General Fund exceeded estimated funds available by \$66,799 and \$43,283, respectively.
4. Budget variances - The act requires that, during the year, the mayor must notify the Town Council, in writing, when:
  - (a) actual revenue and other sources plus projected revenues and other sources for the remainder of the year fail to meet budgeted revenues and other sources by five percent or more;
  - (b) actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year exceed budgeted expenditures and other uses by five percent or more;
  - (c) the actual beginning fund balance fails to meet estimated beginning fund balance by five percent or more.

The mayor did not notify the Town Council, in writing, of the following budget variances:

- For the year ended December 31, 1997, the General Fund had actual expenditures and other uses of \$147,321, which exceeded budgeted expenditures and other uses by \$42,686 (41%).
  - For the year ended December 31, 1996, the General Fund had actual expenditures and other uses of \$161,178, which exceeded budgeted expenditures and other uses by \$71,109 (79%).
5. Certified Copies - After adoption, the act requires that the mayor retain a certified copy of the budget at the town's domicile.
    - For the year ended December 31, 1997, the copy of the budget was stamped with the previous mayor's signature, instead of having an original signature.

LEGISLATIVE AUDITOR

**TOWN OF ROSELAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Financial Statement Findings (Continued)

- For the year ended December 31, 1996, no certified copy of the budget was available at the town domicile.
6. The town did not comply with specific language contained in the budget for the 1996 year passed July 9, 1996, that required the termination of one employee and limitations on hiring an additional attorney.

These deficiencies place the town in noncompliance with the Local Government Budget Act, reduce the effectiveness of the town's budgetary controls over revenues and expenditures, restrict public participation in the budgetary process, and result in incomplete budget documents.

The town should comply with all the requirements prescribed by R.S. 39:1301-1314 (Louisiana Local Government Budget Act). In the future, the town should do the following:

1. The mayor should prepare a proposed budget for the General Fund and each special revenue fund. The proposed budget should be balanced, with approved expenditures not exceeding the total of estimated funds available, and should include a budget message.
2. The mayor should submit the proposed budget to the Town Council and make it available for public inspection at least 15 days before the beginning of the budget year.
3. All action necessary to adopt and finalize the budget should be completed before the beginning of the year. During the year, the mayor should notify the Town Council, in writing, when any of the following occurs:
  - Actual revenue and other sources plus projected revenues and other sources for the remainder of the year fail to meet budgeted revenues and other sources by five percent or more.
  - Actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year exceed budgeted expenditures and other uses by five percent or more.
4. The mayor should certify the approved budget and keep it in the ordinance book.
5. The town should comply with the requirements imposed by its budget ordinance.

In a letter dated March 24, 1998, Mayor Jerry L. Ellzey stated that the town and mayor would comply with all the rules set forth by the Local Government Budget Act. He will include cover sheets and language setting the authority for the mayor to make amendments without the council's approval. The mayor will submit and adopt a balanced budget by December 31 of each year. Any budget variances will be amended following the September quarterly report and

## LEGISLATIVE AUDITOR

### TOWN OF ROSELAND SCHEDULE OF FINDINGS AND QUESTIONED COSTS Financial Statement Findings (Continued)

will be presented and approved by the town council before December 31 of each year. The mayor will advise the town council in writing of any variance of five percent in the General and/or Water Fund budgets. Finally, the town will retain and file in the ordinance book the certified copies of the approved budget (F-1).

#### INTERNAL CONTROL OVER FINANCIAL REPORTING

##### B-97-2 - Control Weaknesses and Inadequate Records in 1996

The following reportable conditions involve matters that relate to significant deficiencies in the design or operation of the internal control over financial reporting that affected the Town of Roseland's ability to record, process, summarize and report the financial data for the 1996 year. These matters were also discussed in the 1995 audit.

1. Utility customer's accounts were adjusted and written off without authorization for the first five months of 1996.
2. Six of the town employees and officials had utility bills that were between \$2.66 to \$99.61 in arrears as of November 1996.
3. The town could not provide bank statements and deposit slips for certain bank accounts for the period from January 1996 to March 1996.
4. The prior audit reported that a cash shortage of \$422 existed at February 13, 1996, and a \$150 petty cash fund could not be located.
5. During the 1996 year, our tests of cash receipts disclosed several deposits where the cash and check amounts recorded in the cash payment register (summary of payments received from customers for utilities) did not agree to the cash and check composition recorded on the validated bank deposit ticket.
6. Court minutes were not maintained for most of 1996; therefore, there were no detailed records of the court's ultimate resolution of violations and the reasons for waivers and reductions in fines.
7. The town did not maintain a ticket log of all citations turned over by the police to the town clerk for the first 10 months of 1996.
8. For the first six months of 1996, the town does not have any records to verify that amounts for each traffic ticket collected were remitted to the Louisiana Department of Public Safety or that required reports were submitted to the Louisiana State Police.

## LEGISLATIVE AUDITOR

### TOWN OF ROSELAND SCHEDULE OF FINDINGS AND QUESTIONED COSTS Financial Statement Findings (Continued)

These weaknesses were addressed by the town's management during the 1997 year. However, the cash shortages and missing bank statements and deposit slips were not located. Other matters that affect both the 1996 and 1997 years are addressed in other findings in this report.

#### **B-97-3 - Inadequate Fixed Asset Records**

For the second consecutive audit, the Town of Roseland has not maintained adequate internal accounting controls over general fixed assets or Enterprise Fund fixed assets as prescribed by state and federal laws and regulations. R.S. 24:515 and federal regulations (the Common Rule - Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments) require the town to maintain records of all fixed assets and movable property to include the date of purchase, initial cost, and disposition of such property, if applicable. Furthermore, good business practices require that a proper fixed asset accounting system be developed to ensure that all assets are accounted for when received, safeguarded against loss or misuse, and reported accurately in the financial statements.

The town has the following deficiencies in controls over fixed assets:

1. The town has not adopted written fixed asset policies and procedures to define assets that will be inventoried.
2. The town does not have an accounting system that provides for the recording of property and equipment as it is purchased and/or disposed.
3. The listing of tagged assets that was prepared by a predecessor auditor through December 31, 1994, and subsequently updated by a contracted accountant does not include (a) a complete description; (b) the date of purchase; (c) the initial cost of each item; and (d) all of the movable property of the town. In addition, this list does not correspond to the listing of fixed assets, which supports the balances recorded in the financial statements. Finally, a physical inventory of the town's fixed assets has not been performed.
4. The comprehensive insurance on a leased vehicle was allowed to lapse in 1996. As a result, the town incurred an uninsured loss when the leased vehicle was stolen and subsequently destroyed in a fire.

These deficiencies occurred because the town's management did not give proper attention to developing an adequate fixed asset inventory system. Failure to maintain an adequate system subjects the town to noncompliance with state and federal laws and regulations and increases the risk that:

- Assets could be lost, destroyed, or misplaced, and the town would have no record or description of the asset.

## LEGISLATIVE AUDITOR

### TOWN OF ROSELAND SCHEDULE OF FINDINGS AND QUESTIONED COSTS Financial Statement Findings (Continued)

- Assets could be subjected to loss or damage arising from unauthorized use.
- Assets may not be adequately insured.
- Assets cannot be accurately reported in the financial statements.

The town should develop an accounting system for fixed assets and movable property that ensures assets are accounted for properly, safeguarded against loss or misuse, and reported accurately in the financial statements. The system should include, at a minimum, the following:

- A written policy that defines assets to be inventoried. The policy should establish a minimum value of assets to be included on the list of fixed assets.
- A complete list of fixed assets/movable property that includes information as to (a) a description of the property; (b) a serial number or other identification number; (c) the source of the asset; (d) who holds title to the asset; (e) the date of acquisition; (f) the cost or estimated cost; (g) the percentage of federal participation in the cost of the asset; (h) the location of the asset; (i) the use and condition of the property; and (j) any ultimate disposition data including the purpose of the disposition, date of disposal, sale price, and the recipient of items.
- Annual physical inventories and follow-up procedures for items not found during the physical inventory.
- Procedures to identify (tag) assets as belonging to the town.
- Use of a fixed asset listing to periodically review the adequacy, type, and amount of insurance coverage.

In a letter dated March 24, 1998, Mayor Jerry L. Ellzey stated that all of the policies recommended will be set up and in place by the end of the year (F-2).

#### **B-97-4 - Failure to Reconcile Water Meter Deposits**

For the second consecutive audit, the Town of Roseland did not reconcile the water meter deposit general ledger control account to the subsidiary record of customers' water meter deposits or the water meter deposit bank account. Management of the town has a fiduciary responsibility to establish and maintain adequate internal controls that includes reconciliation of the water meter deposit general ledger control account to the subsidiary records of customer deposits and the cash balance in the water meter deposit bank account.

The Town of Roseland has no formal policies and procedures requiring the reconciliation of water meter deposits. At December 31, 1997, the meter deposit general ledger control account has a balance of \$33,755, while the meter deposit bank account has a balance of \$9,763,

## LEGISLATIVE AUDITOR

### TOWN OF ROSELAND SCHEDULE OF FINDINGS AND QUESTIONED COSTS Financial Statement Findings (Continued)

resulting in an unfunded meter deposit liability of \$23,992. This situation also existed at December 31, 1996, with an unfunded meter deposit liability of \$23,998. Also, the balance of deposits recorded in the Utility Billing System (UBS) customer deposit subsidiary records of \$36,123 at December 31, 1997, did not agree to the general ledger control account of \$33,755. Failure to perform the necessary reconciliation could result in errors or fraud that would not be detected in a timely manner. Furthermore, this situation could result in an inequity in customer service and a loss of revenues for the town.

The town should verify transactions of the meter deposit records to the cash deposits and disbursement records of the town. The subsidiary records of customer deposits in the computerized UBS system should be reconciled to the general ledger control account.

In a letter dated May 4, 1998, Mayor Jerry L. Ellzey informed us that the town would take the necessary steps to reconcile the meter deposit general ledger control account to the UBS customer deposit subsidiary records. Also, the bank balance will be properly funded as funds become available (F-3).

#### **B-97-5 - Inadequate Internal Controls Over Revenue**

The Town of Roseland has not established adequate billing, accounting, and collection policies and procedures for the collection of its revenue. Good business practices and proper internal controls require that formal revenue policies and procedures be established to ensure that the town collects the appropriate revenues and complies with all laws, regulations, and legal requirements.

The town could not provide the following supporting documentation and also did not timely detect and correct the following weaknesses and errors:

1. Of a sample of 25 utility deposits, the town could not provide the supporting billing stubs for 5 of the 12 deposits tested in 1996, and 2 of the 13 deposits tested in 1997.
2. The prenumbered receipts given for the collection of water, sewerage, and ticket revenue are not used to ensure that all collections are recorded.
3. For three months of each year, the monthly UBS working trial balance did not agree to the manual balancing worksheet.
4. Of a sample of 67 water and sewerage accounts, 14 were billed incorrectly (8 of the 33 accounts for 1996 and 6 of the 34 accounts for 1997). The errors included the following:

**LEGISLATIVE AUDITOR**

**TOWN OF ROSELAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Financial Statement Findings (Continued)**

- In 1996, two customers connected to the water system were not billed.
  - Sewerage service for one customer in 1997 and one customer in 1996 was not billed although the customers were connected to the sewerage system.
  - Five customers in 1997 and three customers in 1996 were charged a flat rate for either water or sewerage service.
  - In 1996, two businesses were charged the lower residential rate instead of the commercial rate.
  - In 1996, one account was labeled "Meter" and was not identified to a customer name. A review of the other 606 accounts active in November 1996 indicated that another 12 accounts were not identified to a customer name. A similar review of the listing for September 1997 indicated that all accounts were identified to a customer name.
  - Eight customers (six in 1996 and two in 1997) were allowed to accumulate balances from \$71 to \$1,220 without the town taking action to shut-off services. The town's resolution authorizing the issuance of the Waterworks and Sewer Utility Revenue Bonds dated November 18, 1986, requires that unpaid accounts be declared delinquent 15 days after the due date and that service be shut off 30 days after that date. The current mayor has negotiated installment agreements for some of the overdue accounts, and in late 1997, began enforcing shut-off procedures for accounts 90 or more days delinquent.
5. The town does not have formal procedures to verify the completeness and accuracy of occupational licenses and insurance license taxes remitted to the town by local businesses and insurance companies.

The town should adopt formal revenue policies and procedures to ensure that:

1. Supporting documentation is maintained.
2. Account balances are periodically reconciled for accuracy.
3. All customers receiving utility service from the town are billed.
4. Utility customers are billed based on usage and at the appropriate rates. The town should take aggressive action to collect delinquent amounts timely, including legal action when necessary. Services should not be reconnected once discontinued, unless the outstanding balance is paid in full, a deposit is received, and reconnection fees are collected.

## LEGISLATIVE AUDITOR

### TOWN OF ROSELAND SCHEDULE OF FINDINGS AND QUESTIONED COSTS Financial Statement Findings (Continued)

5. In addition, the town should verify the completeness and accuracy of occupational licenses and insurance license taxes remitted to the town by local businesses and insurance companies. The town should take aggressive action to collect amounts from businesses and insurance companies identified as not paying current year or prior years' licenses or taxes.

In a letter dated May 11, 1998, Mayor Jerry L. Ellzey informed us that the town will adopt formal revenue policies and procedures to ensure that supporting documentation is maintained, account balances are periodically reconciled for accuracy, all customers receiving utility service are billed at the appropriate rate, and the town will take aggressive action to collect delinquent amounts timely. In addition, the town will adopt policies and procedures to verify the completeness and accuracy of occupational licenses and insurance license taxes (F-5).

#### **B-97-6 - Weaknesses in Controls Over Payroll Disbursements**

For the second consecutive audit, the Town of Roseland has not established formal written payroll policies and procedures regulating the employment of town employees as required by R.S. 33:362. Proper internal controls require that formal payroll/personnel policies and procedures be established to ensure compliance with state and federal laws. The lack of formal policies and procedures resulted in the following deficiencies:

1. Complete individual employee personnel files are not maintained for police department employees. There is no formal documentation available in the personnel files for approval of the pay rates for salaried or hourly police department employees for 1996 or 1997. In addition, the files for salaried or hourly city hall employees did not contain approval of pay rates for 1996.
2. The police department could not provide time sheets or other certifications for salaried employees.
3. The time cards for the city hall and police department hourly employees were not approved by a supervisor in 1996.
4. The town did not deduct the required Medicare (1.45%) and Social Security (6.2%) withholdings from the mayor and council members' compensation paid for monthly council meetings during 1996 and 1997. Board members who are not members of a state or statewide retirement system must have all federal, Social Security, and Medicare taxes withheld.

The town should establish formal payroll/personnel policies and procedures regulating the employment of town employees. In addition, the town should:

1. Maintain individual employee personnel files that include (a) employment application forms that include background information (employee's name,

## LEGISLATIVE AUDITOR

### TOWN OF ROSELAND SCHEDULE OF FINDINGS AND QUESTIONED COSTS Financial Statement Findings (Continued)

address, date of birth, et cetera) and work experience of the employee; (b) the approved salary or rate of pay; (c) approved salary or hourly pay rate increases/decreases; and (d) promotions

2. Ensure that all employees complete time reports to document hours worked and that the appropriate supervisor approves the time reports
3. Withhold the required federal, Medicare, and Social Security taxes from the per diem compensation paid the council and mayor for attendance at meetings

In a letter dated May 4, 1998, Mayor Jerry L. Ellzey responded that a file would be maintained on each employee with all the necessary documents. A checklist will be included in each file to ensure all forms are included and all pay rates have been approved. Time sheets will be prepared and properly approved by a supervisor for each pay period. The Medicare Tax will be withheld from the mayor and council members per diem. Further investigation will be made into the need to withhold social security taxes from the fees paid to public officials (F-4).

#### **B-97-7 - Electronic Data Processing Control Weaknesses**

The Town of Roseland has deficiencies relating to back-up procedures and access to its computerized UBS. Back-up procedures and password security to access the program and data are necessary parts of good electronic data processing (EDP) controls. Furthermore, they are necessary to preserve the integrity of the system. A review of the controls revealed the following deficiencies:

1. There is no password security for access to the UBS program, which is used to bill and record the collection of water fund revenues. Anyone who turns on the computer has access to the program.
2. The system is not backed up daily or on a routine basis by the town clerk as recommended in the UBS user manual.

The lack of controls allows any person who turns on the computer to access the UBS program to change/delete records vital to revenue billing and collection. If the system is not backed up on a routine basis, vital records could be lost, resulting in a possible loss of water fund revenue.

The town should adopt procedures to ensure routine system back-up and general access security for the UBS application software. User identification and password access should be established to prevent unauthorized use of the program.

**LEGISLATIVE AUDITOR**

**TOWN OF ROSELAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Financial Statement Findings (Concluded)**

In a letter dated May 11, 1998, Mayor Jerry L. Ellzey stated that the town will adopt procedures to ensure routine system back-up. Since this will require the update of the present computer or the purchase of a new computer, the town will explore avenues for funding. The town will also contact the software vendor concerning the use of security passwords and will establish user identification and password access to prevent unauthorized use of the program (F-6).

**This page is intentionally blank.**

# Schedule C

Federal Award Findings and  
Questioned Costs  
For the Two Years Ended  
December 31, 1997



**TOWN OF ROSELAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Federal Award Findings and Questioned Costs  
For the Two Years Ended December 31, 1997

**U.S. DEPARTMENT OF AGRICULTURE****COMPLIANCE****Questioned Costs****C-97-1 - Failure to Comply With Bond Resolution****\$0**

For the third consecutive audit, the town did not comply with certain terms of the bond indentures and loan agreements with the Farmers Home Administration (FmHA) and its Rural Utilities Services. The FHA, through the Water and Waste Disposal Systems for Rural Communities (CFDA 10.760), loaned the town funds to pay a part of the cost of constructing and acquiring improvements to the water system of the town (water system bond issue) and constructing, acquiring, improving, and extending a sewer system for the town, as a combined utility system (sewer system bond issue). As conditions of the loan agreements and bond indentures, FmHA established certain requirements with which the town must comply. The town did not comply with these requirements as follows:

1. The loan agreements require an annual payment to Rural Utilities Services for each of the two bond issues; however, the town was delinquent in making the annual payments.
  - In 1997, the town remitted the annual water system bond issue payment due January 22, 1997, in monthly installments from January 24, 1997, to June 3, 1997, and remitted the annual sewer system bond issue payment due May 22, 1997, in monthly installments from June 17, 1997, to August 15, 1997.
  - In 1996, the town remitted the annual water system bond issue payment due January 22, 1996, in monthly installments from January 23, 1996, to April 4, 1996, and remitted the annual sewer system bond issue payment due May 22, 1996, in installments from May 30, 1996, to August 6, 1996.
2. The loan agreements require the town to establish and maintain a Reserve Fund and a Depreciation and Contingency Fund and require monthly payments to the two accounts.
  - For the years 1997 and 1996, no payments were made to the Reserve Fund and only \$200 was transferred to the Depreciation and Contingency Fund.

**LEGISLATIVE AUDITOR**

**TOWN OF ROSELAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Federal Award Findings and Questioned Costs (Concluded)**

- At December 31, 1997, cumulative balances should be \$22,045 in the Reserve Fund and \$26,520 in the Depreciation and Contingency Fund; however, the balances are only \$11 and \$213, respectively.
- 3. The loan agreement requires an audit of the books and accounts of the water and sewer systems no later than three months after the close of the fiscal year. The town did not obtain an audit for the 1996 year.

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

These deficiencies occurred because the town's management did not give proper attention to the requirements of the loan agreements and bond indentures. As a result, the town could have been declared in default of the loan agreements, and a receiver could have been appointed to operate the water and sewer systems. In addition, the delinquencies resulted in the town paying additional interest. Finally, to address past deficits and to make up the shortages in the Reserve Fund and the Depreciation and Contingency Fund, the customers of the water and sewer systems will be forced to pay higher rates than otherwise would have been required.

The town should ensure that the terms of the Positive Action Plan are met by making advance monthly payments directly to the Rural Utilities Service and by making increased payments to the Reserve Fund and the Depreciation and Contingency Fund. The town should also obtain annual audits of the books of accounts of the water and sewer systems as required by the loan agreements.

In a letter dated March 24, 1998, Mayor Jerry L. Ellzey stated that the town would comply with the entire positive action plan set up and approved by the FmHA in June 1997. He added that advanced payments to the FmHA on each bond would be paid before the eighteenth of each month. Beginning March 19, 1998, the amount set by the FmHA (Reserve Fund) will be placed into an interest-bearing account with the town's bank before the eighteenth of each month. This Reserve Fund will be fully funded before any money will be placed in a Depreciation and Contingency Fund. Finally, the mayor and the town council will approve and hire an auditor in October or November each year, so that the auditor can start an audit of the town's Water and General Funds by January 2 of each year (F-7).

# Schedule D

Schedule of Unresolved  
Prior Audit Findings  
For the Two Years Ended  
December 31, 1997



**TOWN OF ROSELAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Schedule of Unresolved Prior Audit Findings  
For the Two Years Ended December 31, 1997**

	<u>Current Report</u>	<u>Prior Report Page (For the Year Ended December 31, 1995)</u>
Inadequate Fixed Asset Records	B-97-3	Exhibit A, p. 2
Failure to Comply With Local Government Budget Act	B-97-1	Exhibit A, p. 4
Inadequate Internal Controls Over Revenue	B-97-5	
(Lack of Controls Over Receipts)		Exhibit A, p. 7
(Controls Over Utility Billings)		Exhibit A, p. 8
(Adjustment to Customer Utility Accounts)		Exhibit A, p. 11
(Insufficient Effort to Collect Delinquent Accounts)		Exhibit A, p. 12
(Collection of Ad Valorem, Occupational, and Insurance License Taxes)		Exhibit A, p. 18
Failure to Reconcile Water Meter Deposits	B-97-4	Exhibit A, p. 14
Weaknesses in Controls Over Payroll Disbursements	B-97-6	Exhibit A, p. 24
Failure to Comply With Bond Resolution	C-97-1	Exhibit C, p. 3

**This page is intentionally blank.**

# Schedule E

Schedule of Expenditures of  
Federal Awards and Notes to the  
Schedule of Expenditures of Federal Awards  
For the Two Years Ended  
December 31, 1997



**LEGISLATIVE AUDITOR**

**Schedule E**

**TOWN OF ROSELAND  
EXPENDITURES OF FEDERAL AWARDS  
For the Two Years Ended December 31, 1997**

In accordance with the Single Audit Act of 1984, as amended by the Single Audit Act of 1996, and Office of Management and Budget Circular A-133, a schedule of expenditures of federal awards is presented for the years ended December 31, 1997, and December 31, 1996.

**This page is intentionally blank.**

**TOWN OF ROSELAND**  
**Roseland, Louisiana**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 1997**

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>CFDA OR OTHER NUMBER</u>	<u>ACTIVITY</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>		
Office of Community Oriented Policing Services - Public Safety Partnership and Community Policing Grants	16.710	\$15,424
Drug Enforcement Agency - Department of Justice Forfeiture Program	Case # GH-93-2012	<u>24,527</u>
TOTAL		<u><u>\$39,951</u></u>

**This page is intentionally blank.**

TOWN OF ROSELAND  
Roseland, Louisiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 1996

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>CFDA OR OTHER NUMBER</u>	<u>ACTIVITY</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>		
Community Development Block Grant Program Through: State of Louisiana Office of Community Development	14.228	<u>\$20,484</u>

**This page is intentionally blank.**

**TOWN OF ROSELAND  
Roseland, Louisiana**

**Notes to the Schedule of Expenditures of Federal Awards  
For the Years Ended December 31, 1997, and December 31, 1996**

**A. PURPOSE OF THE SCHEDULE**

Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires a schedule of expenditures of federal awards showing total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number for each program when the CFDA number is not available.

**B. REPORTING ENTITY**

The accompanying Schedules of Expenditures of Federal Awards includes all federal financial assistance received directly from federal agencies and other governments that was expended by the Town of Roseland during the two years ended December 31, 1997. The Schedule of Expenditures of Federal Awards for the year ended December 31, 1996, is considered unaudited as we were unable to express an opinion on the results of its operations for that year.

**C. BASIS OF ACCOUNTING**

The accounting system of the Town of Roseland currently does not have the capacity to provide expenditures of awards for each federal program in accordance with generally accepted accounting principles. Therefore, expenditures of federal awards presented in the Schedules of Expenditures of Federal Awards represent cash disbursements of the individual programs. Consequently, certain expenditures (activity) are recognized when paid rather than when obligations are incurred. Accordingly, the information presented in the schedule is not intended to present federal program expenditures in conformity with generally accepted accounting principles.

**D. DEPARTMENT OF AGRICULTURE - RURAL  
UTILITIES SERVICES LOANS**

The Town of Roseland has signed two loan agreements dated January 22, 1988, and May 23, 1988, with the U.S. Department of Agriculture, Rural Utilities Services. The loans were made through the Water and Waste Disposal Systems for Rural Communities (CFDA 10.760) to pay part of the cost of constructing, acquiring, extending, and improving the waterworks and sewerage systems. The principal and interest shall be payable in installments totaling \$51,574 a year over a term of 40 years. The two loans have a balance outstanding of \$703,016 as of December 31, 1997.

**This page is intentionally blank.**

# Schedule F

Management's Corrective Action  
Plans and Responses to the  
Findings and Recommendations  
For the Two Years Ended  
December 31, 1997



# TOWN OF ROSELAND

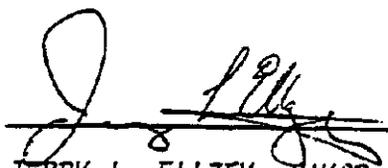
Office Phone: 748-9063  
P. O. Box 302  
Roseland, Louisiana 70456



RE: FAILURE TO COMPLY WITH LOCAL GOVERNMENT BUDGET ACT

THE TOWN AND MAYOR WILL COMPLY WITH ALL THE RULES SET FORTH BY LOCAL GOVERNMENT BUDGET ACT.

- 1.) COVER SHEETS AND AUTHORITY FOR MAYOR TO MAKE AMENDMENTS WITHOUT THE BOARD'S APPROVAL.
- 2.) SUBMIT AND ADOPT BALANCE BY DECEMBER 31, EACH YEAR.
- 3.) ANY BUDGET VARIANCES WILL BE AMENDED FOLLOWING SEPTEMBER QUARTERLY REPORT AND BE PRESENTD AND APPROVED BY TOWN COUNCIL PRIOR TO DECEMBER 31, EACH YEAR.
- 4.) CERTIFIED COPIES OF APPROVED BUDGET WILL BE RETAINED BY TOWN AND FILED IN ORDINANCE BOOK.
- 5.) MAYOR WILL IN WRITING ADVISE TOWN COUNCIL OF ANY VARIANCE OF 5% IN THE GENERAL OR WATER FUND BUDGET.

  
JERRY L. ELLZEY, MAYOR

24 MAR 98

Jerry L. Ellzey, Mayor  
T. Cutrer, Marshal

# TOWN OF ROSELAND

Eileen Sagely, Town Clerk

Office Phone: 748-9063  
P. O. Box 302  
Roseland, Louisiana 70456



RE: ADAQUATE FIXED ASSEST RECORDS

ALL OF THE POLICIES RECOMMENED BY THE AUDITORS WILL BE SET UP AND IN

PLACE BY THE END OF THE YEAR.

  
\_\_\_\_\_  
JERRY L. ELLZEY, MAYOR

24 MAR 98

Jerry L. Ellzey, Mayor  
T. Cutrer, Marshal

# TOWN OF ROSELAND

Eileen Sagely, Town Clerk

Office Phone: 748-9063  
P. O. Box 302  
Roseland, Louisiana 70456



May 4, 1998

**Dr. Daniel Kyle, CPA, CFE**  
**Office of Legislative Auditor**  
**State of Louisiana**  
**Post Office Box 94397**  
**Baton Rouge, LA 70804-9397**

**Dear Dr. Kyle,**

**In response to your finding on our failure to reconcile water meter deposits, the town will take the necessary steps to reconcile the meter deposit general ledger control account to the Utility Billing System customer deposit subsidiary records. Also, the bank balance will be properly funded as funds become available.**

Sincerely,

  
Jerry Ellzey  
Mayor

Jerry L. Ellzey, Mayor  
T. Cutrer, Marshal

# TOWN OF ROSELAND

Eileen Sagely, Town Clerk

Office Phone: 748-9063  
P. O. Box 302  
Roseland, Louisiana 70456



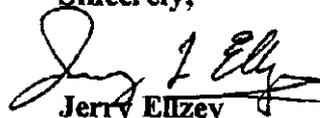
May 4, 1998

**Dr. Daniel Kyle, CPA, CFE**  
**Office of Legislative Auditor**  
**State of Louisiana**  
**Post Office Box 94397**  
**Baton Rouge, LA 70804-9397**

**Dear Dr. Kyle,**

**In response to your finding on the town's need to improve controls over payroll disbursements, a file will be maintained on each employee with all necessary documents included. A checklist will be included in each file to assure all forms are included and all pay rates have been approved. Time sheets on salaried employees will be kept and properly approved by a supervisor for each pay period. The Medicare only withholding of the Mayor and Council Members elected after March 31, 1986, will be withheld. Further investigation will be made into the need to withhold social security from the fees paid to public officials.**

Sincerely,

  
Jerry Ellzey  
Mayor

Jerry L. Ellzey, Mayor  
T. Cutrer, Marshal

# TOWN OF ROSELAND

Eileen Sagely, Town Clerk

Office Phone: 748-9063  
P. O. Box 302  
Roseland, Louisiana 70456



May 11, 1998

**Dr. Daniel Kyle, CPA, CFE**  
**Office of Legislative Auditor**  
**State of Louisiana**  
**Post Office Box 94397**  
**Baton Rouge, LA 70804-9397**

**Dear Dr. Kyle,**

**In response to your finding on the town's inadequate internal controls over revenue, the town will adopt formal revenue policies and procedures to ensure that supporting documentation is maintained, account balances are periodically reconciled for accuracy, all customers receiving utility service from the town are billed, and utility customers are billed based on usage and at the appropriate rates. The town will take aggressive action to collect delinquent amounts timely, including legal action when necessary.**

**The town will adopt policies and procedures to verify the completeness and accuracy of occupational licenses and insurance license taxes remitted to the town.**

**Sincerely,**

A handwritten signature in black ink, appearing to read "Jerry Ellzey", with a horizontal line extending to the right.

**Jerry Ellzey**  
**Mayor**

Jerry L. Ellzey, Mayor  
T. Cutrer, Marshal

# TOWN OF ROSELAND

Eileen Sagely, Town Clerk

Office Phone: 748-9063  
P. O. Box 802  
Roseland, Louisiana 70456



May 11, 1998

**Dr. Daniel Kyle, CPA, CFE**  
**Office of Legislative Auditor**  
**State of Louisiana**  
**Post Office Box 94397**  
**Baton Rouge, LA 70804-9397**

**Dear Dr. Kyle,**

**In response to your finding on the electronic data processing control weaknesses, the town will adopt procedures to ensure routine system back-up. The routine backup procedure will require the update of our present computer or purchase of a new computer. We will begin exploring avenues to fund the update or purchase. The town will contact Utility Billing Systems in regard to the systems ability on the use of security passwords. User identification and password access will be established to prevent unauthorized use of the program.**

Sincerely,

**Jerry Ellzey**  
**Mayor**

Jerry L. Ellzey, Mayor  
T. Causer, Marshal

# TOWN OF ROSELAND

Eileen Sagely, Town Clerk

Office Phone: 748-9063  
P. O. Box 302  
Roseland, Louisiana 70456



RE: FAILURE TO COMPLY WITH FHA BOND RESOLUTIONS

THE TOWN WILL COMPLY WITH ALL OF THE POSITIVE ACTION PLAN SET UP AND APPROVED BY THE FHA IN JUNE OF '97.

- 1.) ADVANCED PAYMENTS TO THE FHA ON EACH BOND WILL BE PAID PRIOR TO THE 18<sup>th</sup> OF EACH MONTH. THE AMOUNT SET BY THE FHA (RESERVE FUND) WILL BE PLACED INTO AN INTEREST BEARING ACCOUNT WITH THE FIRST GUARANTY BANK EACH MONTH PRIOR TO THE 18<sup>th</sup>.
- 2.) UNDER THE POSITIVE ACTION PLAN, THERE WILL BE NO MORE SINKING FUND. WE WILL START FUNDING THE RESERVE FUND BEGINING MARCH 19, 1998. IT WILL BE FULLY FUNDED BEFORE ANY MONEY WILL BE PLACED IN A DEPRECIATION AND CONTIGUENCY FUND.
- 3.) THE MAYOR AND THE TOWN COUNCIL WILL APPROVE AND HIRE AND AUDITOR IN OCTOBER OR NOVEMBER EACH YEAR, SO THAT THE AUDITOR CAN START AN AUDIT OF THE TOWN WATER AND GENERAL FUND BY JANUARY 2, EACH YEAR.

  
JERRY L. ELLZEY, MAYOR

24 MAR 98

**This page is intentionally blank.**

# Schedule G

Summary Schedule of Prior  
Federal Audit Findings  
For the Two Years Ended  
December 31, 1997



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Department/University or College/Commission/District

TOWN OF ROSELAND

For the Year Ended December 31, 1997

Finding Title: FAILURE TO COMPLY WITH BOND RESOLUTION

Schedule (from '95 Audit Report): Exhibit C

Page number (from '95 Audit Report): Page 3

Reference Number (from attached schedule of findings): C-97-1

Program Name(s): United States Farmers Home Administration, Water and Waste Disposal Systems for Rural Communities Loan Program

CFDA Number(s): CFDA 10.418

Status of Finding (include corrective action planned and anticipated completion date, if applicable):

The town is working towards and will continue to work towards compliance.

The town is levying and collecting adequate utility rates. The town has not transferred any additional funds from the Revenue Fund to the General Fund, and is repaying previous interfund loans. The town no longer provides free utility services. Finally, in June of 1997 the town entered into a Positive Action Plan with the Rural Utility Service Division of the Farmers Home Administration to address the problem. The town will comply with the plan and will make monthly payments to Rural Utilities Service and will begin funding the Reserve and Depreciation and Contingency Funds.

NOTE: Use this form to present the status of any findings that are listed for your agency on the attached schedule. You should only present 1 finding per page. If you have 2 findings to present, then you should use 2 forms (1 for each finding). If there are no federal findings to present in this schedule, write NONE above.

Preparer's Signature: [Signature]  
Phone Number: 742-9003

**This page is intentionally blank.**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Department/University or College/Commission/District

TOWN OF ROSELAND

For the Year Ended December 31, 1997

Finding Title: ASSET FORFEITURE GRANT

Schedule (from '95 Audit Report): Exhibit B

Page number (from '95 Audit Report): Page 1

Reference Number (from attached schedule of findings): None

Program Name(s): United States Department of Justice, Asset Forfeiture Program

CFDA Number(s): N/A Case # GH-93-2012

Status of Finding (include corrective action planned and anticipated completion date, if applicable):

The funds were turned over to the town and expended in 1997. The expenditures were accounted for in a separate special revenue fund. The town will contact the US Dept. of Justice and have them send a form so that it can comply with the annual certification requirement.

Multiple horizontal lines for additional findings.

NOTE: Use this form to present the status of any findings that are listed for your agency on the attached schedule. You should only present 1 finding per page. If you have 2 findings to present, then you should use 2 forms (1 for each finding). If there are no federal findings to present in this schedule, write NONE above.

Preparer's Signature: [Signature]  
Phone Number: 748-9063

This page is intentionally blank.