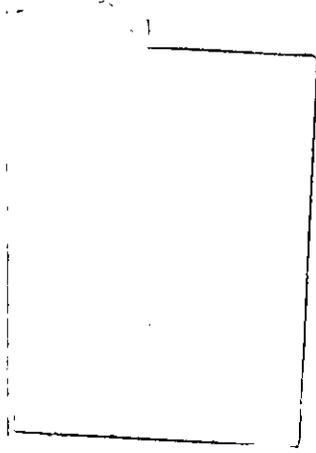


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TOWN OF ROSELAND
Roseland, Louisiana

ANNUAL FINANCIAL REPORT

As of and for the Year Ended
December 31, 2008

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

Release Date 7/15/09

TOWN OF ROSELAND

Louisiana

ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2008

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TOWN OF ROSELAND

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Roseland, Louisiana (Town) as of and for the year ended December 31, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Roseland, Louisiana, as of December 31, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 25, 2009, on my consideration of the Town of Roseland's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Town of Roseland has not presented management's discussion and analysis that the Governmental Accounting Standards board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison schedules on pages 34 through 36 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

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

A handwritten signature in cursive script, appearing to read "Lee Gray".

Certified Public Accountant

June 25, 2009

BASIC FINANCIAL STATEMENTS

TOWN OF ROSELAND

STATEMENT OF NET ASSETS

December 31, 2008

	<u>Governmental Activities</u>	<u>Business-type Activity</u>	<u>Total</u>
<u>Assets</u>			
Cash	\$ 97,350	\$ 4,402	\$ 101,752
Receivables, net	63,704	53,267	116,971
Internal balances	104,501	(104,501)	-
Restricted cash	7,183	117,509	124,692
Capital assets, net	<u>811,333</u>	<u>2,229,288</u>	<u>3,040,621</u>
Total assets	<u>1,084,071</u>	<u>2,299,965</u>	<u>3,384,036</u>
<u>Liabilities</u>			
Accounts payable	23,760	12,270	36,030
Accrued liabilities	-	8,804	8,804
Utility customer deposits	-	46,075	46,075
Noncurrent liabilities:			
Due within one year	25,558	14,729	40,287
Due in more than one year	<u>34,525</u>	<u>562,589</u>	<u>597,114</u>
Total liabilities	<u>83,843</u>	<u>644,467</u>	<u>728,310</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	751,250	1,643,166	2,394,416
Restricted for:			
Debt service	7,183	76,797	83,980
Customer deposits	-	40,712	40,712
Unrestricted (deficit)	<u>241,795</u>	<u>(105,177)</u>	<u>136,618</u>
Total Net Assets	<u>\$1,000,228</u>	<u>\$1,655,498</u>	<u>\$2,655,726</u>

The accompanying notes are an integral part of this statement.

TOWN OF ROSELAND

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008

Functions/Programs	<u>Expenses</u>	Program Revenues			Net (Expenses), Revenues, and Changes in Net Assets		
		Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 82,295	\$ -	\$ -	\$ -	\$ (82,295)	\$ -	\$ (82,295)
Public safety - police	167,941	8,106	15,394	-	(144,441)	-	(144,441)
Public safety - fire	44,909	4,800	2,686	24,750	(12,673)	-	(12,673)
Streets	<u>39,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,142)</u>	<u>-</u>	<u>(39,142)</u>
<i>Total governmental activities</i>	<u>334,287</u>	<u>12,906</u>	<u>18,080</u>	<u>24,750</u>	<u>(278,551)</u>	<u>-</u>	<u>(278,551)</u>
Business-type Activities:							
Waterworks and sewer	<u>364,914</u>	<u>262,405</u>	<u>5,753</u>	<u>-</u>	<u>-</u>	<u>(96,756)</u>	<u>(96,756)</u>
<i>Total business-type activity</i>	<u>364,914</u>	<u>262,405</u>	<u>5,753</u>	<u>-</u>	<u>-</u>	<u>(96,756)</u>	<u>(96,756)</u>
Total	<u>\$699,201</u>	<u>\$275,311</u>	<u>\$23,833</u>	<u>\$24,750</u>	<u>(278,551)</u>	<u>(96,756)</u>	<u>(375,307)</u>
General Revenues:							
Taxes:							
Property taxes					43,646	-	43,646
Franchise taxes					36,608	-	36,608
Sales taxes					131,824	-	131,824
Alcoholic beverage tax					896	-	896
Licenses and permits					50,340	-	50,340
2% Fire Insurance Rebate					6,119	-	6,119
Interest income					1,662	1,678	3,340
Miscellaneous					306	-	306
Sale of assets					-	154	154
Donations - cash					<u>500</u>	<u>-</u>	<u>500</u>
Total general revenues					<u>271,901</u>	<u>1,832</u>	<u>273,733</u>
Change in Net Assets					(6,650)	(94,924)	(101,574)
Net assets - beginning, restated					<u>1,006,878</u>	<u>1,750,422</u>	<u>2,757,300</u>
Net assets - ending					<u>\$1,000,228</u>	<u>\$1,655,498</u>	<u>\$2,655,726</u>

The accompanying notes are an integral part of this statement.

TOWN OF ROSELAND

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2008

	<u>General Fund</u>	<u>Fire Protection Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash	\$ 39,235	\$58,115	\$ 97,350
Receivables, Net	44,125	19,579	63,704
Due from other funds-			
General Fund	-	9,379	9,379
Waterworks Fund	104,501	-	104,501
Fire Protection	28,223	-	28,223
Restricted assets - cash	<u>-</u>	<u>7,183</u>	<u>7,183</u>
Total Assets	<u>\$216,084</u>	<u>\$94,256</u>	<u>\$310,340</u>
<u>Liabilities</u>			
Accounts Payable	\$ 23,760	\$ -	\$ 23,760
Due to other funds -			
Due to Fire Protection	9,379	-	9,379
Due to General Fund	<u>-</u>	<u>28,223</u>	<u>28,223</u>
Total Liabilities	<u>33,139</u>	<u>28,223</u>	<u>61,362</u>
<u>Fund Balance</u>			
Reserved for debt service	-	7,183	7,183
Unreserved	<u>182,945</u>	<u>58,850</u>	<u>241,795</u>
Total Fund Balance	<u>182,945</u>	<u>66,033</u>	<u>248,978</u>
Total Liabilities and Fund Balance	<u>\$216,084</u>	<u>\$94,256</u>	<u>\$310,340</u>

The accompanying notes are an integral part of this statement.

TOWN OF ROSELAND

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS

December 31, 2008

Fund balances - total governmental funds	\$ 248,978
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	811,333
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(60,083)</u>
Net assets of governmental activities	<u>\$1,000,228</u>

The accompanying notes are an integral part of this statement.

TOWN OF ROSELAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2008

	<u>General Fund</u>	<u>Fire Protection Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>			
Taxes	\$185,217	\$ 26,861	\$212,078
Licenses and permits	50,340	-	50,340
Intergovernmental	7,507	-	7,507
FEMA Grant	12,488	-	12,488
Fines and forfeitures	8,106	-	8,106
On behalf payments by state	5,100	-	5,100
Fire Protection Services	4,800	-	4,800
Donations	500	-	500
Miscellaneous	1,148	820	1,968
Total Revenues	<u>275,206</u>	<u>27,681</u>	<u>302,887</u>
<u>Expenditures</u>			
Current:			
General government	78,151	-	78,151
Public safety - police	161,849	-	161,849
Public safety - fire	13,644	48,024	61,668
Streets	38,528	-	38,528
Debt service:			
Principal & interest	6,974	11,192	18,166
Total Expenditures	<u>299,146</u>	<u>59,216</u>	<u>358,362</u>
Excess (deficiency) of revenue over expenditures	<u>(23,940)</u>	<u>(31,535)</u>	<u>(55,475)</u>
<u>Other Financing Sources</u>			
Loan proceeds	28,000	-	28,000
Capital grant proceeds	-	24,750	24,750
Sale of capital assets	1,687	-	1,687
Total other financing sources	<u>29,687</u>	<u>24,750</u>	<u>54,437</u>
Net change in Fund Balances	5,747	(6,785)	(1,038)
Fund balances, beginning of year	<u>177,198</u>	<u>72,818</u>	<u>250,016</u>
Fund balances, end of year	<u>\$182,945</u>	<u>\$ 66,033</u>	<u>\$248,978</u>

The accompanying notes are an integral part of this statement.

TOWN OF ROSELAND

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008

Net change in fund balances - total governmental funds	\$ (1,038)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
In the statement of activities, only the gain on the disposed assets is reported, whereas in the governmental funds, the proceeds from the disposition increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the equipment disposed of.	(4,020)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(17,140)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of principal repayments.	<u>15,548</u>
Change in net assets of governmental activities	<u>\$ (6,650)</u>

The accompanying notes are an integral part of this statement.

TOWN OF ROSELAND
STATEMENT OF NET ASSETS
PROPRIETARY FUND
December 31, 2008

<u>Assets</u>	
<u>Current Assets</u>	
Cash	\$ 4,402
Accounts receivable, net	48,663
Grant receivable	<u>4,604</u>
Total Current Assets	57,669
<u>Restricted Assets</u>	
Cash	117,509
<u>Non-current Assets</u>	
Capital assets (net of accumulated depreciation)	<u>2,229,288</u>
Total Assets	<u>2,404,466</u>
<u>Liabilities</u>	
<u>Current Liabilities (payable from current assets)</u>	
Accounts payable	12,270
Due to General Fund	<u>104,501</u>
Total Current Liabilities (payable from current assets)	<u>116,771</u>
<u>Current Liabilities (payable from restricted assets)</u>	
Customer deposits	46,075
Accrued interest payable	8,804
Revenue bonds payable	<u>14,729</u>
Total Current Liabilities (payable from restricted assets)	<u>69,608</u>
<u>Non-current Liabilities</u>	
Revenue bonds payable	<u>562,589</u>
Total Liabilities	<u>748,968</u>
<u>Net Assets</u>	
Invested in capital assets, net of related debt	1,643,166
Restricted for debt service	76,797
Restricted for customer deposit	40,712
Unrestricted (deficit)	<u>(105,177)</u>
Total Net Assets	<u>\$1,655,498</u>

The accompanying notes are an integral part of this statement.

TOWN OF ROSELAND

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - PROPRIETARY FUND
For the Year Ended December 31, 2008

	<u>Business-type Activity</u> <u>Waterworks and</u> <u>Sewer Fund</u>
<u>Operating Revenues</u>	
Charges for services -	
Water sales	\$ 147,904
Sewer charges	101,342
Delinquent charges	13,063
Other income	96
Operating grant	<u>5,753</u>
Total operating revenues	<u>268,158</u>
 <u>Operating Expenses</u>	
Salaries	70,167
Payroll taxes	5,326
Accounting and auditing	11,225
Bad debts	22,000
Repairs and maintenance - water	16,122
Repairs and maintenance - sewer	15,068
Equipment fuel	4,742
Insurance	15,914
Meter reading expense	7,952
Office expense	7,420
Supplies	6,054
Testing	1,830
Telephone	2,659
Utilities	34,574
Depreciation	<u>107,131</u>
Total operating expenses	<u>328,184</u>
 Net operating (loss)	 <u>(60,026)</u>
 <u>Nonoperating Revenues (Expenses)</u>	
Sale of assets	154
Interest income	1,678
Interest expense	<u>(36,730)</u>
Total nonoperating revenue (expenses)	<u>(34,898)</u>
 Change in net assets	 (94,924)
 Total Net Assets, Beginning, Restated	 <u>1,750,422</u>
 Total Net Assets, Ending	 <u>\$1,655,498</u>

The accompanying notes are an integral part of this statement.

TOWN OF ROSELAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended December 31, 2008

	<u>Waterworks and Sewer Fund</u>
<u>Cash flows from operating activities:</u>	
Receipts from customers	\$ 238,351
Operating grant	5,753
Payments to suppliers	(132,979)
Payments to employees	(75,493)
Net cash provided by operating activities	<u>35,632</u>
<u>Cash flows from capital and related financing activities:</u>	
Proceeds from sale of capital assets	261
Acquisition of capital assets	(711)
Payments for Bonds	(11,597)
Interest paid	(35,677)
Net cash (used) for capital and related financing activities	<u>(47,724)</u>
<u>Cash flows from investing activities:</u>	
Interest income	<u>1,678</u>
Net cash provided by investing activities	<u>1,678</u>
Net (decrease) in cash and cash equivalents	(10,414)
Cash balance - beginning of year	<u>14,816</u>
Cash balance - end of year	<u>\$ 4,402</u>
 <u>Reconciliation of operating income to net cash provided by operating activities:</u>	
Operating (loss)	\$(60,026)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	107,131
Change in assets and liabilities:	
Receivables, net	(22,812)
Due to other funds	19,228
Accounts and other payable	(6,647)
Restricted assets	(3,306)
Customer deposits	<u>2,064</u>
Net cash provided by operating activities	<u>\$ 35,632</u>

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2008

INTRODUCTION

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

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY AND REPORTING MODEL

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

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

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

The accompanying basic financial statements of the Town have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999. Management has elected to not present the Management's Discussion and Analysis.

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2008

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

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

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

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

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2008

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

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

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

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2008

The Town reports the following major governmental funds:

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

Special Revenue Fund:

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

Proprietary Fund:

Enterprise fund - - accounts for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town maintains one enterprise fund, the Waterworks and Sewer Fund, which provides water and sewer services.

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

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

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

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

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

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2008

D. DEPOSITS AND INVESTMENTS

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

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

The Town had no investments at December 31, 2008.

E. RECEIVABLES

Receivables are shown net of an allowance for uncollectibles. Uncollectible amounts due for water and sewer charges are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivables. Uncollectible amounts for property taxes are recorded as a reduction of current revenues.

F. 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.

G. RESTRICTED ASSETS

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

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

H. CAPITAL ASSETS

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town maintains a threshold level of \$500 or more for capitalizing capital assets.

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2008

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

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

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

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

I. COMPENSATED ABSENCES

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

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

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

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

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2008

J. LONG-TERM OBLIGATIONS

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

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

K. FUND EQUITY

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

L. ESTIMATES

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

M. INTERFUND TRANSACTIONS

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

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

N. ELIMINATION AND RECLASSIFICATION

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2008

O. AD VALOREM TAXES

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

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

P. SALES TAXES

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

(2) **STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

A. BUDGETS

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

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

The original proposed budgets for the General Fund and the Special Revenue fund were made available for public inspection on November 28, 2007, and were published in the official journal on December 5, 2007. A public hearing was held at the Town's city hall on December 18, 2007. The original budgets were adopted on December 18, 2007.

The budgets of the General Fund and Fire Protection Special Revenue Fund were amended once during the fiscal year with the final amendment taking place on December 19, 2008.

B. FUND DEFICITS

The Waterworks and Sewer fund (proprietary fund) had a deficit in unrestricted net assets for the year ended December 31, 2008, of \$105,177.

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2008

(3) DEPOSITS

At December 31, 2008, the Town had deposits (book balances) totaling \$226,444 (including \$124,692 of restricted cash) as follows:

Cash on hand	\$ 91
Interest-bearing demand deposits	<u>226,353</u>
Total	<u>\$226,444</u>

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

Per GASB Statement 3, as amended by GASB 40; the Town's deposits are exposed to custodial credit risk since the collateral pledged by the fiscal agent is not held in the Town's name.

At December 31, 2008, the Town has \$235,202 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$130,414 is uninsured but collateralized with securities held by the custodial bank in the name of the fiscal agent bank.

Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon demand.

(4) RECEIVABLES

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

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

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2008

Receivables at December 31, 2008, consist of the following:

<u>Class of Receivables</u>	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Total</u>
Taxes -				
Ad valorem	\$17,705	\$ 30,579	\$ -	\$ 48,284
Franchise	12,055	-	-	12,055
Sales	6,684	-	-	6,684
Accounts -				
Water and Sewer	-	-	88,044	88,044
Intergovernmental -				
Beer taxes	193	-	-	193
Fire District No. 2	1,200	-	-	1,200
Other Receivables	-	-	619	619
Grant Receivables	12,488	-	4,604	17,092
Less: Allowance for Uncollectibles	<u>(6,200)</u>	<u>(11,000)</u>	<u>(40,000)</u>	<u>(57,200)</u>
Totals	<u>\$44,125</u>	<u>\$ 19,579</u>	<u>\$ 53,267</u>	<u>\$116,971</u>

(5) AD VALOREM TAXES

The following is a summary of authorized and levied ad valorem taxes for 2008:

Assessed valuation	\$3,026,140
Authorized and levied millage	
General Fund	5.79
Fire Protection Fund	<u>10.00</u>
Total millage	<u>15.79</u>
Total tax levy	\$47,783

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

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

(6) RESTRICTED ASSETS

Restricted assets applicable to the Fire Protection Fund at December 31, 2008, consist of cash reserved for payment of debt service of \$7,183.

Restricted assets applicable to the Waterworks and Sewer Fund at December 31, 2008, consisted of cash reserved for bond requirements of \$76,797 and for customer deposits of \$40,712 for a total of \$117,509. The customer deposits are underfunded by \$5,363 as the liability for customer deposits is \$46,075 at December 31, 2008.

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2008

(7) CAPITAL ASSETS

The following is a summary of changes in capital assets for the fiscal year ended December 31, 2008:

Governmental Activities:	<u>Balance</u> <u>12/31/07</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/08</u>
Capital assets not depreciated:				
Land and land improvements	\$ 58,693	\$ -	\$ -	\$ 58,693
Other capital assets:				
Buildings	644,536	-	-	644,536
Equipment	<u>403,507</u>	<u>52,096</u>	<u>(14,473)</u>	<u>441,130</u>
Total other capital assets	<u>1,048,043</u>	<u>52,096</u>	<u>(14,473)</u>	<u>1,085,666</u>
Less: Accumulated depreciation:				
Buildings	130,631	3,487	-	134,118
Equipment	<u>171,612</u>	<u>37,749</u>	<u>(10,453)</u>	<u>198,908</u>
Total accumulated depreciation	<u>302,243</u>	<u>41,236</u>	<u>(10,453)</u>	<u>333,026</u>
Other capital assets, net	<u>745,800</u>	<u>10,860</u>	<u>(4,020)</u>	<u>752,640</u>
Total governmental activities capital assets, net	<u>\$ 804,493</u>	<u>\$10,860</u>	<u>\$ (4,020)</u>	<u>\$ 811,333</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 4,144
Public safety - Police	6,324
Public safety - Fire	26,979
Streets	<u>3,789</u>
Total	<u>\$41,236</u>

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2008

The following is a summary of changes in capital assets for the business-type activity for the fiscal year ended December 31, 2008:

Business-type activity:	Balance <u>12/31/07</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>12/31/08</u>
Land	\$ 6,500	\$ -	\$ -	\$ 6,500
Buildings	20,640	-	-	20,640
Equipment	20,494	711	539	20,666
Water system	2,120,931	-	-	2,120,931
Sewerage system	<u>2,092,753</u>	<u>-</u>	<u>-</u>	<u>2,092,753</u>
	4,261,318	711	539	4,261,490
Less: Accumulated depreciation:				
Plant and equipment	<u>1,925,502</u>	<u>107,131</u>	<u>431</u>	<u>2,032,202</u>
Total business-type activity capital assets, net	<u>\$2,335,816</u>	<u>\$(106,420)</u>	<u>\$108</u>	<u>\$2,229,288</u>

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

Waterworks and Sewer Fund \$107,131

(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.

Municipal Police Employees' Retirement System of Louisiana

Plan Description. All full-time police department employees engaged in law enforcement are required to participate in the System, unless exempted. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3-1/3 percent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2008

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

Funding Policy. Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the Town of Roseland is required to contribute at an actuarially determined rate. The current rate is 13.75 percent of annual covered payroll. The contribution requirements of plan members and the Town of Roseland are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Roseland contributions to the System for the years ending December 31, 2008, 2007, and 2006, were \$2,837, \$3,217, and \$4,432, respectively, equal to the required contributions for each year.

(9) RETIREMENT SYSTEM

Employees of the Town are members of the social security system. In addition to employee payroll deductions, Town funds are remitted to match the employee contributions. Aggregate contributions to the social security system for the year ended December 31, 2008, were \$19,723 of which \$9,862 was contributed by the Town.

(10) ECONOMIC DEVELOPMENT AWARD AGREEMENT AND LEASE

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

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

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

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2008

(11) LEASES

The Town records items under capital leases as assets and obligations in the accompanying financial statements. At December 31, 2008, the Town had one capital lease. It is the obligation of the General Fund.

The following is a summary of future minimum lease payments for the capital lease and the present value of the net minimum lease payments as of December 31, 2008.

<u>Fiscal Year</u>	<u>Total</u>
12-31-09	\$ 6,974
12-31-10	<u>5,230</u>
Future minimum lease payments	12,204
Less: Amount representing interest	<u>(799)</u>
Present value of net minimum lease payments	<u>\$11,405</u>

(12) LONG-TERM DEBT

A. SUMMARY OF CHANGES IN LONG-TERM DEBT

The following is a summary of the long-term obligation transactions for the year ended December 31, 2008:

	<u>Balance</u>			<u>Balance</u>	<u>Due</u>
<u>Governmental Activities:</u>	<u>1-1-08</u>	<u>Additions</u>	<u>Reductions</u>	<u>12-31-08</u>	<u>Within</u>
					<u>One Year</u>
Capital lease obligations	\$ 17,282	\$ -	\$ 5,877	\$11,405	\$ 6,413
Certificate of Indebtedness - 2002	30,349	-	9,671	20,678	10,145
Certificate of Indebtedness - 2008	<u>-</u>	<u>28,000</u>	<u>-</u>	<u>28,000</u>	<u>9,000</u>
Total governmental activities	<u>\$ 47,631</u>	<u>\$28,000</u>	<u>\$15,548</u>	<u>\$60,083</u>	<u>\$25,558</u>
 <u>Business-type Activities:</u>					
Revenue bonds payable	<u>\$588,915</u>	<u>\$ -</u>	<u>\$11,597</u>	<u>\$577,318</u>	<u>\$14,729</u>
Total business-type activities	<u>\$588,915</u>	<u>\$ -</u>	<u>\$11,597</u>	<u>\$577,318</u>	<u>\$14,729</u>

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2008

B. CERTIFICATES OF INDEBTEDNESS

The Certificates of Indebtedness are comprised of the following issues:

- \$65,000 Certificate R-1, dated July 5, 2002
 Due in eight annual payments of \$11,131.90 through March 1, 2010;
 interest rate 4.75% payable annually March 1 each year. \$20,678

- \$28,000 Certificate R-1, dated July 7, 2008
 Due in annual installments of \$10,802 to \$10,700
 through September 1, 2011; interest rate 7% payable
 semi-annually March 1 and September 1 each year. \$28,000

C. BONDS

Revenue bonds payable are comprised of the following issues:

- \$472,500 Series A Revenue Bonds, dated January 22, 1988
 Due in annual installments of \$33,094 payable for 40 years with
 interest at 6.375% \$365,517

- \$272,000 Series B Revenue Bonds, dated May 23, 1988
 Due in annual installments of \$18,480 payable for 40 years with
 interest at 6.125% \$211,801

D. DEBT SERVICE REQUIREMENTS TO MATURITY

The annual requirements to amortize all certificates of indebtedness and revenue bonds outstanding at December 31, 2008, including interest are as follows:

	USDA Rural Development			
			FmHA Revenue Bonds	
	2002 Certificate R-1	2008 Certificate R-2	1988-A	1988-B
2009	\$11,132	\$10,802	\$ 33,094	\$ 18,480
2010	11,132	10,330	33,094	18,480
2011	-	10,700	33,094	18,480
2012	-	-	33,094	18,480
2013	-	-	33,094	18,480
Thereafter	-	-	<u>459,615</u>	<u>265,408</u>
	22,264	31,832	625,085	357,808
Less: Interest	<u>(1,586)</u>	<u>(3,832)</u>	<u>(259,568)</u>	<u>(146,007)</u>
Principal	<u>\$20,678</u>	<u>\$28,000</u>	<u>\$ 365,517</u>	<u>\$ 211,801</u>

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2008

(13) **DEDICATION OF PROCEEDS AND FLOW OF FUNDS - AD VALOREM TAXES**

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

The Town is required to make annual payments on March 20th of each year, starting March 20, 2003, into the "Certificate of Indebtedness, Series 2002, Reserve Fund" in an amount equal to 10% of the annual debt service payment made on the prior March 1st until \$6,500 is on deposit in said Reserve Fund. At December 31, 2008, \$7,183 was on deposit in this fund. This was in compliance.

(14) **WATER AND SEWER UTILITY REVENUE BONDS**

A. DEDICATION OF PROCEEDS AND FLOW OF FUNDS

The Town has pledged the revenues derived from the operation of the waterworks and sewer system for the payment of the bonds and interest as they become due and the other purposes per the bond agreements.

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. At December 31, 2008, the Reserve Fund should have totaled \$51,063 the actual balance was \$55,035.

In addition, these bond agreements require a Depreciation and Contingency Fund funded by monthly payments of \$221 each month until the bonds have been retired. The fund is to be used for payment of extraordinary maintenance, repairs, and replacements. At December 31, 2008, the Depreciation and Contingency Fund should have totaled \$2,250 the actual balance in this account was \$21,763. The Depreciation and Contingency Fund was fully funded at December 31, 2008.

B. COVENANTS

The Mayor and Town Council agreed to maintain at all times such rates for utility services to provide for the payment of all reasonable and necessary expenses of the System, bond principal and interest payments, and funding of required reserve accounts.

They also agreed to shut off water services to a customer whose account is not paid within 40 days of the billing date.

The Town has not complied with these covenants.

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2008

(15) INTERFUND RECEIVABLES, PAYABLES

Amounts due to or from other funds at December 31, 2008, consisted of the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$132,724	\$ 9,379
Special Revenue Funds - Fire Protection	9,379	28,223
Enterprise Fund - Waterworks and Sewer Fund	<u> -</u>	<u>104,501</u>
Total	<u>\$142,103</u>	<u>\$142,103</u>

(16) PURCHASE OF PRIOR YEARS OF SERVICE - POLICE RETIREMENT

The Town paid MPERS \$30,207 for prior years of service for police retirement for the Chief of Police. This matter has been resolved and there is no future liability.

(17) LITIGATION AND CLAIMS

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

1. Suit#: 2003-001910, Jason Dufrene, et al v. Reginald A. Cotton, et al. This is a personal injury claim. The Town is being defended by its insurer, Risk Management.
2. Suit#: 2004-0607, Calvin E. Batiste, Sr., et al v. James Edward Layrission, et al. The chief of police, Tommy Cutrer, has been named as a defendant in this case. This is a *First Amendment violation case that has been filed with the U.S. District Court for the Eastern District of Louisiana*. The Town is being defended by its insurer, Risk Management, with a reservation of coverage. The Town does not have coverage as relates to any "dishonest, fraudulent, criminal, or malicious act or omission of any participant."
3. Suit#: 2005-1425, Katie Shields v. Walter Daniels, et al. This lawsuit alleges that Walter Daniels as a duly qualified police officer for the Town of Roseland improperly restrained the complainant, Katie Shields, and as a result of that restraint caused her *physical injuries*. This action has been brought pursuant to 42 U.S.C. Sec. 1983 and additionally, the complainant seeks damages for malicious prosecution and false imprisonment. The Town is being defended by its insurer, Risk Management.
4. Suit#: 2005-0003752, Peggy Distefano, et al v. Illinois Central Railroad Company, et al. This accident arises from a train/automobile accident in Roseland, Louisiana. The Town is being defended by its insurer, Risk Management.

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2008

5. Suit#: 2005-0945, Deanna Hurley, etc., et al v. Amtrak, et al. This accident arises from a train/automobile accident in Roseland, Louisiana. The Town is being defended by its insurer, Risk Management.

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

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

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

Monroe Perry, Jr., Mayor	\$ 7,350
Tommy Cutrer, Chief of Police	22,700
<u>Town Council</u>	
Mark Cutrer	1,350
Kirk Hendry	1,350
Wanda McCoy	1,350
Mary Jane Terrell	1,200
Brian Reid	1,350
	<u>\$36,650</u>

(19) **ON BEHALF PAYMENTS BY STATE OF LOUISIANA**

For the year ended December 31, 2008, the State of Louisiana made on behalf payments in the form of supplemental pay to the Town's policemen. In accordance with GASB 24, the Town has recorded \$5,100 of on behalf payments as revenue and as expense in the General Fund.

(20) **RISK MANAGEMENT**

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

(21) **RESERVED AND DESIGNATED NET ASSETS AND FUND BALANCES**

At December 31, 2008, the Fire Protection Fund had reserved fund balance/restricted net assets of \$7,183 for debt service.

At December 31, 2008, the proprietary fund had restricted net assets of \$76,797 for debt service and \$40,712 for customer deposits.

TOWN OF ROSELAND

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2008

(22) **RESTATED NET ASSETS**

The following fund's beginning net assets has been restated to reflect the retroactive recording of prior period adjustments to the December 31, 2007, balance:

<u>Proprietary Fund</u>	
Net Assets at December 31, 2007	\$1,759,549
2007 Expense Not Recorded	<u>(9,127)</u>
Net Assets at December 31, 2007, as restated	<u>\$1,750,422</u>

(23) **SUBSEQUENT EVENTS**

There were no material subsequent events at December 31, 2008.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF ROSELAND

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - SUMMARY
For the Year Ended December 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
Taxes -				
Ad valorem	\$ 10,500	\$ 10,500	\$ 16,786	\$ 6,286
Public utilities franchise	25,000	25,000	36,607	11,607
Sales tax	120,000	120,000	131,824	11,824
Licenses and permits -				
Occupational licenses	34,000	47,000	49,192	2,192
Permits	1,000	1,000	1,148	148
Intergovernmental -				
Beer taxes	1,600	1,600	896	(704)
State grant - police	5,000	1,000	492	(508)
2% Fire Insurance Rebate	-	-	6,119	6,119
FEMA Grant	-	-	12,488	12,488
Fines	10,000	9,000	8,106	(894)
Donations	-	-	500	500
On behalf payments by state	10,200	5,100	5,100	-
Fire Protection Services	7,000	10,000	4,800	(5,200)
Miscellaneous revenues	4,000	3,000	1,148	(1,852)
Total revenues	<u>228,300</u>	<u>233,200</u>	<u>275,206</u>	<u>42,006</u>
<u>Expenditures</u>				
Current -				
General government	75,700	82,000	78,151	3,849
Public safety - police	98,500	135,000	161,849	(26,849)
Public safety - fire	9,000	14,000	13,644	356
Streets	28,000	35,000	38,528	(3,528)
Debt service -				
Principal & interest	<u>16,857</u>	<u>38,000</u>	<u>6,974</u>	<u>31,026</u>
Total expenditures	<u>228,057</u>	<u>304,000</u>	<u>299,146</u>	<u>4,854</u>
Excess (deficiency) of revenue over expenditures	<u>243</u>	<u>(70,800)</u>	<u>(23,940)</u>	<u>46,860</u>
<u>Other Financing Sources</u>				
Proceeds from Loan	-	28,000	28,000	-
Sale of Capital Assets	<u>-</u>	<u>-</u>	<u>1,687</u>	<u>1,687</u>
Total other financing sources	<u>-</u>	<u>28,000</u>	<u>29,687</u>	<u>1,687</u>
Net change in Fund Balance	243	(42,800)	5,747	48,547
Fund balance, beginning	<u>177,198</u>	<u>177,198</u>	<u>177,198</u>	<u>-</u>
Fund balance, ending	<u>\$177,441</u>	<u>\$134,398</u>	<u>\$182,945</u>	<u>\$ 48,547</u>

(Continued)

TOWN OF ROSELAND
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - EXPENDITURES DETAIL
For the Year Ended December 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Favorable (Unfavorable)
<u>General Government</u>				
Salaries - Mayor and Council	\$15,400	\$ 15,400	\$ 13,950	\$ 1,450
Salaries - Clerical	14,500	16,000	15,230	770
Payroll taxes	2,400	2,400	3,269	(869)
Attorney	4,800	4,800	5,532	(732)
Assessor	800	800	735	65
Accounting and auditing	10,000	14,000	12,250	1,750
Insurance	15,000	15,000	12,802	2,198
Office expense	3,000	3,000	4,182	(1,182)
Official journal	1,500	1,500	2,107	(607)
City hall utilities and telephone	3,000	3,000	2,630	370
Coroner	1,000	1,000	200	800
Repairs and maintenance	4,000	4,000	3,654	346
Miscellaneous	300	1,100	98	1,002
Auto fuel	-	-	1,512	(1,512)
Total General Government	<u>75,700</u>	<u>82,000</u>	<u>78,151</u>	<u>3,849</u>
<u>Public Safety - Police</u>				
Salaries	51,720	78,720	80,095	(1,375)
Payroll taxes	3,000	4,600	4,610	(10)
On behalf payments by state	10,200	5,100	5,100	-
Retirement contributions	3,500	3,500	33,044	(29,544)
Auto fuel	6,500	15,500	13,483	2,017
Auto expense	3,000	3,000	3,748	(748)
Insurance	12,000	12,000	8,753	3,247
Miscellaneous	580	580	2,569	(1,989)
Supplies	1,000	1,500	1,505	(5)
Utilities	4,000	5,000	5,322	(322)
Prisoner expense	-	-	393	(393)
Capital outlay	-	2,500	2,449	51
Grant expenditures	3,000	3,000	778	2,222
Total Public Safety - Police	<u>98,500</u>	<u>135,000</u>	<u>161,849</u>	<u>(26,849)</u>
<u>Public Safety - Fire</u>				
Utilities	6,000	6,000	4,950	1,050
Miscellaneous	3,000	8,000	8,694	(694)
Total Public Safety - Fire	<u>9,000</u>	<u>14,000</u>	<u>13,644</u>	<u>356</u>
<u>Streets</u>				
Street and traffic light	15,000	17,500	20,061	(2,561)
Materials, supplies, and repairs	12,500	12,500	13,513	(1,013)
Miscellaneous	500	500	565	(65)
Capital outlay	-	4,500	4,389	111
Total Streets	<u>\$28,000</u>	<u>\$ 35,000</u>	<u>\$ 38,528</u>	<u>\$ (3,528)</u>
<u>Debt Service</u>				
Principal & interest	<u>\$16,857</u>	<u>\$ 38,000</u>	<u>\$ 6,974</u>	<u>\$ 31,026</u>

(Concluded)

TOWN OF ROSELAND

BUDGETARY COMPARISON SCHEDULE
FIRE PROTECTION SPECIAL REVENUE FUND
For the Year Ended December 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
Taxes - Ad Valorem	\$20,000	\$ 20,000	\$ 26,861	\$ 6,861
Intergovernmental	2,400	2,400	-	(2,400)
Miscellaneous	-	-	820	820
Total revenues	<u>22,400</u>	<u>22,400</u>	<u>27,681</u>	<u>5,281</u>
<u>Expenditures</u>				
General government	11,250	56,500	-	56,500
Capital outlay	-	-	45,259	(45,259)
Insurance	-	-	2,765	(2,765)
Principal & Interest	<u>11,132</u>	<u>11,132</u>	<u>11,192</u>	<u>(60)</u>
Total expenditures	<u>22,382</u>	<u>67,632</u>	<u>59,216</u>	<u>8,416</u>
Excess (deficiency) of revenue over expenditures	<u>18</u>	<u>(45,232)</u>	<u>(31,535)</u>	<u>13,697</u>
<u>Other Financing Sources</u>				
Capital grant proceeds	-	<u>24,750</u>	<u>24,750</u>	-
Total other financing sources	<u>-</u>	<u>24,750</u>	<u>24,750</u>	<u>-</u>
Net change in fund balance	18	(20,482)	(6,785)	13,697
Fund balance, beginning	<u>72,818</u>	<u>72,818</u>	<u>72,818</u>	<u>-</u>
Fund balance, ending	<u>\$72,836</u>	<u>\$ 52,336</u>	<u>\$ 66,033</u>	<u>\$ 13,697</u>

OTHER SUPPLEMENTARY INFORMATION

Town of Roseland

PROPRIETARY FUND TYPE - ADDITIONAL INFORMATION
As of and for the Year Ended December 31, 2008

WATERWORKS AND SEWER UTILITY REVENUE BONDS
ADDITIONAL INFORMATION

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

a. Insurance policies in force at December 31, 2008:(UNAUDITED)

- 1) Insurer: Louisiana Municipal Risk Management Agency,
expiring November 6, 2008, (has been renewed to November 6, 2009):

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

- 2) Insurer: Louisiana Municipal Risk Management Agency,
expiring December 29, 2008, (has been renewed to December 29, 2009)

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

- 3) Insurer: American Alternative Insurance Corporation, expiring May 5, 2009

<u>Policy Limit</u>	<u>Risk Covered</u>
\$1,478,880	Commercial property coverage - Water well, tower & generator - Sewer treatment plant and pond cover - Lift stations - Buildings

- 4) Insurer: Trinity Universal Insurance Company
\$15,000 Bond on Clerk expiring March 1, 2009

Town of Roseland
 Proprietary Fund Type - Additional Information
 As of and for the year Ended December 31, 2008 - continued

5) Insurer: CNA Surety Company
 \$15,000 Bond on Asst. Clerk expiring October 29, 2009

6) Insurer: Essex Insurance Company, expiring August 18, 2009

<u>Policy Limit</u>	<u>Risk Covered</u>
\$11,800	Commercial Automobile Physical Damage (Police)

7) Insurer: American Alternative Insurance Corporation expiring April 1, 2008

<u>Policy Limit</u>	<u>Risk Covered</u>
• \$1,000,000 each accident minus deductible	Business Auto Liability on 1975 Chevy Pumper, 1966 American LaFrance, 2002 Freightliner Pumper, 1996 Ford car, 2008 Ford F-450
• \$131,961	Comprehensive and collision coverage - 2002 Freightliner Pumper

b. There were 629 metered water users of which 591 were residential and 38 were commercial water users at December 31, 2008.

c. There were 372 users of the sewerage system at December 31, 2008.

d. Aging of water and sewer accounts receivable as of December 31, 2008:

0 - 30 days	\$25,245
Over 30 days	12,166
Over 60 days	9,272
Over 90 days	<u>41,361</u>
	<u>\$88,044</u>

Town of Roseland
Proprietary Fund Type - Additional Information
As of and for the year Ended December 31, 2008 - continued

e. Schedule of water and sewer rates as of December 31, 2008:

Sewer Service Charges

Residential Rates:

Metered:

\$11.00 base rate for sewer service - for 2,000 gallons water use
\$3.25 per thousand gallons all over 2,000 gallons

Flat Rate in Town:

\$24.00

Commercial Rates:

\$28.00 base rate for sewer service - for 2,000 gallons water use
\$3.25 per thousand gallons all over 2,000 gallons

Wholesale Rates:

\$125.00

Water Rates

Residential Rates:

In Town:

\$10.25 per month for the first 2,000 gallons
\$1.90 per month per thousand or part thereof all over 2,000 gallons

Out of Town:

\$12.25 per month for the first 2,000 gallons
\$2.00 per month per thousand or part thereof all over 2,000 gallons

Commercial Rates:

In Town:

\$24.25 per month for the first 10,000 gallons
\$1.90 per thousand or part thereof all over 10,000 gallons

Out of Town:

\$26.25 per month for the first 10,000 gallons
\$2.00 per month per thousand or part thereof all over 10,000 gallons

Flat Rate Customers:

\$85.00

f. See audit Finding 08-1 for auditor's other comments.

Town of Roseland
Proprietary Fund Type - Additional Information
As of and for the year Ended December 31, 2008 - concluded

g. Names and Addresses of Mayor and Council:

Monroe Perry, Jr. - Mayor
P.O. Box 276
Roseland, Louisiana 70456
985-748-7317
985-748-9063 - Office

Council Members:

Mark Cutrer
P.O. Box 1191
Roseland, Louisiana 70456
985-747-2799 / 985-320-9360

Wanda McCoy
P.O. Box 511
Roseland, Louisiana 70456
985-748-2768

Brian Reid
62501 Commercial Street
Roseland, Louisiana 70456
985-747-8383 / 985-969-0798

Kirk Hendry
P.O. Box 57
Roseland, Louisiana 70456
985-748-5393 / 985-969-6901

Mary Jane Terrell
P.O. Box 358
Roseland, Louisiana 70456
985-748-4802 / 985-517-0035

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



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

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

I have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Roseland, Louisiana, as of and for the year ended December 31, 2008, which collectively comprise the Town of Roseland, Louisiana's basic financial statements and have issued my report thereon dated June 25, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Roseland, Louisiana's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Roseland's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Roseland's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is

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

more than inconsequential will not be prevented or detected by the Town of Roseland's internal control. I consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting. See findings items 08-1, 08-2, and 08-3.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Roseland's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above I consider finding item 08-2 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Roseland, Louisiana's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 08-1.

The Town of Roseland's response to the findings identified in my audit are described in the accompanying Management's Corrective Action Plan. I did not audit the Town of Roseland's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the governing council, management, and the Legislative Auditor, and the U.S. Department of Agriculture and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Certified Public Accountant

June 25, 2009

TOWN OF ROSELAND

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended December 31, 2008

SECTION 1. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
07-1 Failure to comply with Bond Resolutions	Partially resolved - See 08-01
07-2 Lack of Segregation of Duties	Unresolved. - See 08-02
07-3 Lack of Enforcement of Collections on the Utility Customer Receivables, Unpaid Property Taxes, and Unpaid Occupational Licenses	Unresolved. - See 08-03

SECTION 2: INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
Finding Reference No.	Management's Corrective Action Plan
NONE	NONE
SECTION 3. MANAGEMENT LETTER	
Finding Reference No.	Management's Corrective Action Plan
NONE	NONE

Town of Roseland
Schedule of Current Year Audit Findings - Continued

During the current fiscal year the Town did not comply with the following requirements:

- (1) The loan covenant requires the Town to maintain at all times such rates for utility services that are sufficient to provide for the payment of all reasonable and necessary expenses of the System, payment of the bond principal and interest, and funding of the required reserve accounts.

The Town has failed to comply with this covenant resulting in net losses for the years ending December 31, 2008, 2007, 2006, 2005, and 2004, of (\$94,924), \$(79,639), \$(121,038), \$(77,407), and \$(86,801) respectively.

The water and sewer rates were increased as of January 1, 2008, per ordinance No. 280 adopted on November 8, 2007. Apparently, the rates were not sufficient to cover the operating expenses and debt service requirements.

It is recommended that the Town become diligent in collecting all utility accounts (current and past due), and attempt to reduce operating costs of the system.

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

The shut-off procedures being followed by the Town are not consistent with the loan covenant. This has resulted in the continuing problem of lost revenue and cash flow issues.

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

08-2 Lack of Segregation of Duties
(Repeated from Prior Year)

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

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

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

**08-3 Lack of Collection Enforcement of Utility Customer Receivables,
Unpaid Property Taxes, and Unpaid Occupational Licenses**
(Repeated from Prior Year)

The collection efforts by management of the Town regarding the past due utility bills, unpaid property taxes, and unpaid occupational licenses need improving.

Below is information regarding each area:

- Utility Customer Receivables

The Town is not enforcing the 40 day cut-off policy nor making an earnest effort to collect past due accounts. Approximately 248 customers with delinquent accounts over 90 days are still receiving services.

Accounts receivable at December 31, 2008, were \$88,044 as compared to the 2007 accounts receivable of \$48,031. An aging appears below:

0 - 30 days	\$25,245
Over 30 days	12,166
Over 60 days	9,272
Over 90 days	<u>41,361</u>
	<u>\$88,044</u>

- Unpaid Property Taxes

As of May 27, 2009, the Town was owed \$16,873 for unpaid property taxes from 2000 to 2008. The 2008 unpaid taxes were \$3,502 as compared to the 2007 unpaid taxes of \$6,638. The total tax levy for 2008 was \$47,783. The \$3,502 represents 7.32% the total levy.

The Town mails four delinquent notices to property owners. After the fourth notice, the Town does not pursue any other means of collection. The Town has not held a property tax sale in recent years.

- Unpaid Occupational Licenses

There are eight businesses in the Town that have not paid their occupational license for 2008. These businesses have been allowed to continue operating their businesses. At May 27, 2009, there were nine businesses that had not paid their 2009 occupational license.

Town of Roseland
Schedule of Current Year Audit Findings - Concluded

Auditor Recommendations - - - -

- Utility Customer Receivables

It is recommended that the Mayor and Town Council agree to enforce the cut-off policy, make no exceptions, and begin immediately. If a customer is caught stealing water, charges should be filed and measures implemented to insure that the service is disconnected. The Town Council should consider increasing the customer deposit to \$150.00.

- Unpaid Property Taxes

The Town attorney should be consulted regarding alternatives to a tax sale for unpaid property taxes.

- Unpaid Occupational Licenses

Businesses that refuse to pay their occupational license should not be permitted to operate their business or receive utility services until the license has been paid.

TOWN OF ROSELAND

MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended December 31, 2008

SECTION 1. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
Finding Reference No.	Management's Corrective Action Plan
08-1 Failure to comply with Bond Resolutions	Mayor will improve on the cut-off procedure by becoming diligent in collecting <u>ALL</u> utility accounts. Mayor will make every effort to reduce operating costs of the system.
08-2 Lack of Segregation of Duties	Mayor concurs with Auditor's recommendation.
08-3 Lack of Collection Enforcement of Utility Customer Receivables, Unpaid Property Taxes, and Unpaid Occupational Licenses	Mayor agrees to enforce the cut-off policy, along with the support of the Town Council. Mayor agrees to consult with the Town Attorney on the unpaid property taxes and the unpaid occupational licenses.

Date Submitted: June 25, 2009

Auditee: Wanda McCoy