

Town of Roseland

Annual Financial Statements

As of and for the Year Ended December 31, 2017

With Supplemental Information Schedules

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 SEP 05 2018



BRUCE HARRELL & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

Town of Roseland
Annual Financial Statements
As of and for the Year Ended December 31, 2017
With Supplemental Information Schedules

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Bruce C. Harrell, CPA

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

INTERNET
www.teamcpa.com

MEMBERS
American Institute of CPAs
Society of Louisiana CPAs



BRUCE HARRELL
and COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

109 West Minnesota Park
Park Place Suite 7
Hammond, LA 70403
VOICE: (985) 542-6372
FAX: (985) 345-3156

KENTWOOD OFFICE
P.O. Box 45 - 909 Avenue G
Kentwood, LA 70444
VOICE: (985) 229-5955
FAX: (985) 229-5951

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Roseland, Louisiana (hereinafter referred to as "Town"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Roseland, Louisiana as of and for the year ended December 31, 2017, and the respective changes in the financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 10-17 and 50-54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

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

BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

To the Honorable Mayor Wanda McCoy and Members of the Town Council
Town of Roseland
Page 3

We have previously audited, in accordance with auditing standards generally accepted in the United States, the basic financial statements for the year ended December 31, 2016, which are not presented with the accompanying financial statements, and we expressed unmodified opinions on the respective financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The information in the accompanying schedules listed as Other Supplemental Information in the table of contents related to the 2016 financial statements is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in the accompanying schedules listed as Other Supplemental Information in the table of contents related to the 2016 financial statements is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2018, based on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Roseland's internal control over financial reporting and compliance.



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

August 15, 2018

Required Supplemental Information (Part I)

Management's Discussion and Analysis

Town of Roseland
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2017

Introduction

The Town of Roseland, Louisiana (the Town) is pleased to present its Annual Financial Statements developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (GASB 34), and with current standards as more fully described in the financial statement footnotes as *Footnote 1. Summary of Significant Accounting Policies - Section B "Measurement Focus, Basis of Accounting, and Financial Statement Presentation"*.

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

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

Financial Highlights

- At December 31, 2017, the Town's assets exceeded its liabilities by \$1,997,762 (net position). Of this amount, \$352,328 (unrestricted net position) may be used to meet the Town's ongoing obligations to its citizens.
- The most significant on-going continuing revenue sources for governmental activities of the Town consisted of \$201,464 in sales tax revenues, \$62,709 in property taxes, \$32,439 in public utility franchise taxes, and \$53,372 for business licenses and permits. Charges for business-type activities of the utility fund were \$169,766 in water charges and \$98,771 in sewer charges.
- The Town's significant expenditures in the current year for governmental activities included \$187,337 for general governmental activities, \$254,545 for police and fire protection, and \$88,603 for public works, including streets and drainage maintenance. Expenses for business-type activities of the water, and sewer departments totaled \$331,594.
- For the year ended December 31, 2017, the Town's bonds payable on long term debt for the proprietary fund decreased by a net of \$26,506, resulting in ending bonds payable of \$383,105.

Town of Roseland
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2017

Overview of the Annual Financial Report

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

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

Government-Wide Financial Statements

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

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

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

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

Governmental activities - Most of the Town's basic services are reported here, including general government, public safety, streets and sanitation, and health and welfare. These activities are financed primarily by property taxes, franchise taxes, sales taxes, fire insurance rebates, and fines.

Business-type activities - The Town charges a fee to customers to help it cover all of the cost of the services provided. The Town's water and sewer utility systems are reported in this section.

Town of Roseland
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2017

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related and legal requirements. The Town uses two categories of funds to account for financial transactions: governmental funds and proprietary funds. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, there are differences in the information presented for government funds and for governmental activities in the government-wide financial statements. Review of these differences provides the reader of the financial statements insight on the long-term impact of the Town's more immediate decisions on the current use of financial resources. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Town of Roseland
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2017

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the Town's net position for the current year as compared to the prior year.

Net Position						
2017 and 2016						
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and Other Assets	\$ 462,169	\$ 441,350	\$ 266,060	\$ 216,753	\$ 728,229	\$ 658,103
Capital Assets	586,800	579,762	1,344,261	1,454,848	1,931,061	2,034,610
Total Assets	<u>1,048,969</u>	<u>1,021,112</u>	<u>1,610,321</u>	<u>1,671,601</u>	<u>2,659,290</u>	<u>2,692,713</u>
Liabilities:						
Long-Term Debt Outstanding	-	-	354,796	794,237	354,796	794,237
Other Liabilities	25,735	32,885	280,997	(143,448)	306,732	(110,563)
Total Liabilities	<u>25,735</u>	<u>32,885</u>	<u>635,793</u>	<u>650,789</u>	<u>661,528</u>	<u>683,674</u>
Deferred Inflows of Resources						
Deferred Ad Valorem Taxes	-	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position:						
Net Investment in Capital Assets	586,800	579,762	961,156	1,045,237	1,547,956	1,624,999
Restricted	-	-	97,478	90,018	97,478	90,018
Unrestricted	436,434	408,465	(84,106)	(114,443)	352,328	294,022
Total Net Position	<u>\$ 1,023,234</u>	<u>\$ 988,227</u>	<u>\$ 974,528</u>	<u>\$ 1,020,812</u>	<u>\$ 1,997,762</u>	<u>\$ 2,009,039</u>

Approximately seventy-seven percent of the Town's net position reflects its investment in capital assets (land, buildings, equipment, infrastructure, and improvements) net of any outstanding related debt used to acquire those capital assets. These capital assets are used to provide services to citizens and do not represent resources available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

Approximately five percent of the Town's net position represents resources that are subject to external restriction on how they may be used. The Town's restricted net position primarily consists of cash for capital projects in governmental activities and cash reserves required for customer deposits in business-type activities net of corresponding liabilities. Approximately eighteen percent of the Town's net position is unrestricted and may be used to meet the Town's ongoing obligations to its citizens.

At the end of the current fiscal year, the Town was able to report positive balances in all three categories of net position, both for the Town as a whole, as well as for separate governmental activities. The business-type activities reported a negative balance in unrestricted net position. The Town's activities decreased its total net position by \$11,277, with governmental activities increasing net position by \$35,007 and business-type activities decreasing net position by \$46,284.

Town of Roseland
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2017

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

Changes in Net Position
For the years ended December 31, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services	\$ 71,917	\$ 52,188	\$ 283,481	\$ 263,651	\$ 355,398	\$ 315,839
Operating Grants and Contributions	-	-	10,000	1,113	10,000	1,113
Capital Grants and Contributions	40,238	5,500	-	-	40,238	5,500
General Revenues:						
Taxes	296,612	282,103	-	-	296,612	282,103
Intergovernmental	73,628	32,674	12,647	-	86,275	32,674
Interest Income	1,251	414	1,440	321	2,691	735
Donations	11,435	-	-	-	11,435	-
Miscellaneous	3,411	5,590	2,770	439	6,181	6,029
Building Lease Proceeds	67,000	80,400	-	-	67,000	80,400
Total Revenues	565,492	458,869	310,338	265,524	875,830	724,393
Expenses:						
General Government	187,337	208,204	-	-	187,337	208,204
Public Safety	254,545	211,018	-	-	254,545	211,018
Public Works	88,603	90,889	-	-	88,603	90,889
Capital Lease Interest	-	-	-	-	-	-
Water and Sewer Utility	-	-	356,622	336,910	356,622	336,910
Total Expenses	530,485	510,111	356,622	336,910	887,107	847,021
Change in Net Assets Before Transfers	35,007	(51,242)	(46,284)	(71,386)	(11,277)	(122,628)
Transfers (Out) In	-	-	-	-	-	-
Change in Net Position	35,007	(51,242)	(46,284)	(71,386)	(11,277)	(122,628)
Net Position, Beginning	988,227	1,039,469	1,020,812	1,092,198	2,009,039	2,131,667
Net Position, Ending	\$ 1,023,234	\$ 988,227	\$ 974,528	\$ 1,020,812	\$ 1,997,762	\$ 2,009,039

Town of Roseland
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2017

Governmental Activities

The Town's governmental net position increased by \$35,007 as compared to a prior fiscal year net position decrease of \$51,242.

The significant factors in this change in net position are the result of a \$40,954 increase in intergovernmental revenue and a \$34,738 increase in capital grants, offset by increases of \$20,374 in expenditures.

Total expenses in governmental activities increased \$20,374. Salaries increased by \$13,593. Fuel expense increased \$10,351. Professional fees increased \$10,304. Repairs and maintenance decreased \$14,212.

Business-Type Activities

The Town's business-type net position decreased by \$46,284 or five percent of prior year ending net position, to \$974,528. Charges for services increased by eight percent or \$19,830. Operating grants increased by \$8,887. Intergovernmental revenue increased by 12,647. Expenses for the utility fund increased \$19,712 or six percent. There were increases in repairs and maintenance of \$17,077 and utilities of \$4,131. Other expenses decreased \$2,376.

Fund Financial Analysis

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

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the year. At the end of the current year, the Town's governmental funds reported combined ending fund balances of \$430,007. Fund balance was as follows: non-spendable \$5,531, assigned \$141,961, and unassigned \$282,515.

This represents an increase of \$27,969, for all governmental funds, from the prior year's ending fund balance. The General Fund is the chief operating fund of the Town. At the end of the current year, the total fund balance for the General Fund was \$286,576. All funds had a positive ending fund balance.

Proprietary Funds

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

Governmental Fund Budgetary Highlights

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

Town of Roseland
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2017

Capital Assets and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of December 31, 2017 amounts to \$1,931,061 (net of depreciation). The total decrease in the Town's investment in capital assets for the current fiscal year was \$103,549 (net of depreciation). The following table provides a summary of the Town's capital assets (net of depreciation) at the end of the current year as compared to the prior year.

Capital Assets (Net of Depreciation)
2017 and 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Capital Assets						
Land	\$ 58,693	\$ 58,693	\$ 6,500	\$ 6,500	\$ 65,193	\$ 65,193
Buildings and Improvements	716,830	716,830	20,640	20,640	737,470	737,470
Machinery and Equipment	637,184	610,306	36,428	36,428	673,612	646,734
Construction in Progress	40,941	-	-	-	40,941	-
Water Utility System	-	-	2,131,847	2,131,847	2,131,847	2,131,847
Sewer Utility System	-	-	2,150,807	2,150,807	2,150,807	2,150,807
Subtotal Capital Assets	1,453,648	1,385,829	4,346,222	4,346,222	5,799,870	5,732,051
Less: Accumulated Depreciation	(866,848)	(806,067)	(3,001,961)	(2,891,374)	(3,868,809)	(3,697,441)
Capital Assets, Net	\$ 586,800	\$ 579,762	\$ 1,344,261	\$ 1,454,848	\$ 1,931,061	\$ 2,034,610

Significant capital additions for the fiscal year ending December 31, 2017, consisted of the following. For governmental funds, \$40,941 in expenditures relating to the LCDBG project recorded as Construction in Progress, a fire truck was purchased for \$15,550 and police vehicles that were donated in the amount of \$11,328.

Long-Term Debt

At December 31, 2017, the Town had total debt outstanding of \$383,105. Of this total, \$28,309 (including current bonds payable) is due within one year and \$354,796 is due within greater than one year. The following table provides a summary of the Town's outstanding debt at the end of the current year as compared to the prior year.

Outstanding Debt
2017 and 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Capital Leases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue Bonds	-	-	383,105	409,611	383,105	409,611
Total Outstanding Debt	\$ -	\$ -	\$ 383,105	\$ 409,611	\$ 383,105	\$ 409,611

**Town of Roseland
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2017**

Other Factors Affecting the Town

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

Contacting the Town's Financial Management

This financial report is designed to provide the Town's citizens, taxpayers, creditors and investors with a general overview of the Town's finances and show the Town's accountability for the money it receives. If you have questions regarding this report or need additional information, contact Debra Evans, Town Clerk, P.O. Box 302, Roseland, Louisiana 70456.

Basic Financial Statements

Government-Wide Financial Statements

Statement A

Town of Roseland
Statement of Net Position
As of December 31, 2017

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 228,118	\$ 34,322	\$ 262,440
Receivables, Net:			
Intergovernmental	15,198	-	15,198
Ad Valorem Taxes	32,588	-	32,588
Accounts and Other	8,528	64,698	73,226
Due From Other Funds	172,206	-	172,206
Prepaid Insurance	5,531	2,708	8,239
Total Current Assets	462,169	101,728	563,897
Restricted Assets:			
Restricted Cash and Cash Equivalents	-	164,332	164,332
Total Restricted Assets	-	164,332	164,332
Capital Assets:			
Land	58,693	6,500	65,193
Construction in Progress	40,941	-	40,941
Capital Assets, Net	487,166	1,337,761	1,824,927
Total Capital Assets	586,800	1,344,261	1,931,061
Total Assets	1,048,969	1,610,321	2,659,290
Liabilities			
Current Liabilities:			
Accounts Payable	18,178	6,064	24,242
Other Accrued Payables	7,557	6,994	14,551
Due To Other Funds	-	172,206	172,206
Customer Deposits	-	66,854	66,854
Bonds Payable	-	28,309	28,309
Accrued Interest on Long Term Debt	-	570	570
Total Current Liabilities	25,735	280,997	306,732
Long Term Liabilities:			
Bonds Payable	-	354,796	354,796
Total Long Term Liabilities	-	354,796	354,796
Total Liabilities	25,735	635,793	661,528
Deferred Inflows of Resources			
Unavailable Ad Valorem Taxes	-	-	-
Total Deferred Inflows of Resources	-	-	-
Net Position			
Net Investment in Capital Assets	586,800	961,156	1,547,956
Restricted for:			
Capital Projects and Debt Service	-	97,478	97,478
Unrestricted	436,434	(84,106)	352,328
Total Net Position	\$ 1,023,234	\$ 974,528	\$ 1,997,762

The accompanying notes are an integral part of this statement

Town of Roseland
Statement of Activities
For the year ended December 31, 2017

	Expenses	Program Revenues			Net (Expenses) Revenues	Net (Expenses) Revenues and Changes of Primary Government		
		Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions		Gov- ern- mental Activities	Busi- ness- Type Activities	Total
Governmental Activities								
General Government	\$ 187,337	\$ 71,917	\$ -	\$ -	\$ (115,420)	\$ (115,420)	\$ -	\$ (115,420)
Public Safety	254,545	-	-	-	(254,545)	(254,545)	-	(254,545)
Public Works	88,603	-	-	40,238	(48,365)	(48,365)	-	(48,365)
Total Governmental Activities	<u>\$ 530,485</u>	<u>\$ 71,917</u>	<u>\$ -</u>	<u>\$ 40,238</u>	<u>\$ (418,330)</u>	<u>\$ (418,330)</u>	<u>\$ -</u>	<u>\$ (418,330)</u>
Business-type Activities								
Wastewater Sewer	\$ 331,594	\$ 28,348	\$ 10,000	\$ -	\$ (381,13)	\$ -	\$ (381,13)	\$ (381,13)
Bond Interest	25,028	-	-	-	(25,028)	-	(25,028)	(25,028)
Total Business-type Activities	<u>\$ 356,622</u>	<u>\$ 28,348</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ (63,141)</u>	<u>\$ -</u>	<u>\$ (63,141)</u>	<u>\$ (63,141)</u>
General Revenues:								
Taxes								
Property Taxes						62,709	-	62,709
Sales Taxes						201,464	-	201,464
Franchise Taxes						32,439	-	32,439
Intergovernmental						6,872	-	6,872
FEMA						66,735	12,647	79,382
Interest Income						1,251	1,440	2,691
Building Lease Proceeds- Rert						67,000	-	67,000
Donations						11,435	-	11,435
Miscellaneous						3,411	2,770	6,181
Total General Revenues and Transfers						<u>453,337</u>	<u>168,57</u>	<u>470,194</u>
Change in Net Position						<u>35,007</u>	<u>(46,284)</u>	<u>(11,277)</u>
Net Position- Beginning						<u>988,227</u>	<u>1,008,12</u>	<u>2,090,39</u>
Net Position- Ending						<u>\$ 1,023,234</u>	<u>\$ 974,528</u>	<u>\$ 1,997,762</u>

The accompanying notes are an integral part of this statement.

Basic Financial Statements

Fund Financial Statements

Statement C

Town of Roseland
Balance Sheet - Governmental Funds
As of December 31, 2017

	General Fund	Fire Protection Special Revenue Fund	Total Governmental Funds
Assets			
Cash	\$ 115,378	\$ 112,740	\$ 228,118
Receivables, Net:			
Intergovernmental	15,198	-	15,198
Ad Valorem Taxes	11,617	20,971	32,588
Accounts and Other	8,528	-	8,528
Due From Other Funds	172,309	16,491	188,800
Prepaid Insurance	4,061	1,470	5,531
Total Assets	\$ 327,091	\$ 151,672	\$ 478,763
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Accounts Payable	\$ 13,966	\$ 4,212	\$ 18,178
Retainage Payable	702	-	702
Other Accrued Expenses	6,855	-	6,855
Due to Other Funds	16,594	-	16,594
Total Liabilities	38,117	4,212	42,329
Deferred Inflows of Resources:			
Unavailable Ad Valorem Taxes	2,398	4,029	6,427
Total Deferred Inflows of Resources	2,398	4,029	6,427
Fund Balances:			
Nonspendable	4,061	1,470	5,531
Assigned	-	141,961	141,961
Unassigned Fund Balances	282,515	-	282,515
Total Fund Balances	286,576	143,431	430,007
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 327,091	\$ 151,672	\$ 478,763

The accompanying notes are an integral part of this statement.

Statement D

Town of Roseland
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Financial Statement of Net Position
As of December 31, 2017

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

Fund Balances, Total Governmental Funds (Statement C)	\$ 430,007
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Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds.

Governmental capital assets net of depreciation	586,800
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Ad valorem taxes collected after year-end, but not available soon enough to pay for current expenditures	6,427
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Net Position of Governmental Activities (Statement A)	\$ <u>1,023,234</u>
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Statement E

Town of Roseland
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the year ended December 31, 2017

	<u>General Fund</u>	<u>Fire Protection Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 258,101	\$ 38,511	\$ 296,612
Licenses and Permits	53,372	-	53,372
Intergovernmental	113,866	-	113,866
Fines and Forfeitures	18,545	-	18,545
Interest	578	673	1,251
Donations	11,435	-	11,435
Other	3,411	-	3,411
Total Revenues	<u>459,308</u>	<u>39,184</u>	<u>498,492</u>
Expenditures			-
General Government	163,666	-	163,666
Public Safety:			-
Police	153,144	-	153,144
Fire	20,864	55,390	76,254
Public Works	76,640	-	76,640
Capital Outlays	52,269	15,550	67,819
Total Expenditures	<u>466,583</u>	<u>70,940</u>	<u>537,523</u>
Excess of Revenues Over (Under)			
Expenditures	<u>(7,275)</u>	<u>(31,756)</u>	<u>(39,031)</u>
Other Financing Sources (Uses)			
Building Lease Proceeds	67,000	-	67,000
Total Other Financing Sources (Uses)	<u>67,000</u>	<u>-</u>	<u>67,000</u>
Net Change in Fund Balances	<u>59,725</u>	<u>(31,756)</u>	<u>27,969</u>
Fund Balances, Beginning	226,851	175,187	402,038
Fund Balances, Ending	<u>\$ 286,576</u>	<u>\$ 143,431</u>	<u>\$ 430,007</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, 2017

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

Net Change in Fund Balances, Total Governmental Funds, Statement E **\$ 27,969**

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital assets

Capital asset additions

\$ 67,819

Less:

Current year depreciation

(60,781) 7,038

Change in Net Position of Governmental Activities, Statement B **\$ 35,007**

The accompanying notes are an integral part of this statement

Town of Roseland
Statement of Net Position - Proprietary Funds
As of December 31, 2017

Statement G

Assets

Current Assets:

Cash and Cash Equivalents	\$ 34,322
Accounts Receivables, Net	63,859
Other Receivables	839
Prepaid Insurance	2,708
Total Current Assets	<u>101,728</u>

Restricted Assets:

Restricted Cash and Cash Equivalents	164,332
Total Restricted Assets	<u>164,332</u>

Capital Assets

Land	6,500
Capital Assets, Net	1,337,761
Total Capital Assets	<u>1,344,261</u>

Total Assets

1,610,321

Liabilities

Current Liabilities (Payable From Current Assets):

Accounts Payable	6,064
Other Accrued Payables	6,994
Due To Other Funds	172,206
Total Current Liabilities (Payable From Current Assets)	<u>185,264</u>

Current Liabilities (Payable From Restricted Assets):

Customer Deposits	66,854
Revenue Bonds Payable	28,309
Interest Payable on Long Term Debt	570
Total Current Liabilities (Payable From Restricted Assets)	<u>95,733</u>

Long Term Liabilities:

Bonds Payable	354,796
Total Long Term Liabilities	<u>354,796</u>

Total Liabilities

635,793

Net Position

Net Investment in Capital Assets	961,156
Restricted for:	
Capital Projects and Debt Service	97,478
Unrestricted	<u>(84,106)</u>

Total Net Position

\$ 974,528

The accompanying notes are an integral part of this statement.

Statement H

Town of Roseland
Statement of Revenues, Expenses and
Changes in Net Position - Proprietary Funds
For the year ended December 31, 2017

	Business-Type Activities
	Utility Fund
Operating Revenues	
Water Sales	\$ 169,766
Sewer Service Charges	98,771
Penalties	12,904
Intergovernmental	22,647
Other	4,810
Total Operating Revenues	308,898
Operating Expenses	
Contract Services	17,400
Depreciation	110,587
Insurance	17,454
Payroll Taxes	5,625
Professional Fees	15,200
Repairs and Maintenance	55,529
Salaries and Wages	73,533
Supplies	6,337
Utilities	20,889
Other	9,040
Total Operating Expenses	331,594
Operating Income (Loss)	(22,696)
Nonoperating Revenues (Expenses)	
Interest Income	1,440
Interest Expense	(25,028)
Total Nonoperating Revenues (Expenses)	(23,588)
Change in Net Position	(46,284)
Total Net Position, Beginning	1,020,812
Total Net Position, Ending	\$ 974,528

The accompanying notes are an integral part of this statement.

Statement I

Town of Roseland
Statement of Cash Flows -
Proprietary Funds
For the year ended December 31, 2017

	<u>Enterprise Fund</u>
Cash Flows From Operating Activities	
Received From Customers	\$ 275,918
Received for Meter Deposit Fees	4,605
Other Receipts	27,656
Receipt for Interfund Services	2,895
Payments for Operations	(137,057)
Payments to Employees	(79,158)
Net Cash Provided (Used) by Operating Activities	<u>94,859</u>
Cash Flows From Capital and Related Financing Activities	
Repayments for Long Term Debt	(26,506)
Interest Payments for Long Term Debt	(25,068)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(51,574)</u>
Cash Flows From Investing Activities	
Receipt of Interest	1,440
Net Cash Provided (Used) by Investing Activities	<u>1,440</u>
Net Increase (Decrease) in Cash and Cash Equivalents	44,725
Cash and Cash Equivalents, Beginning of Year	<u>153,929</u>
Cash and Cash Equivalents, End of Year	<u>\$ 198,654</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:	
Cash and Cash Equivalents, Unrestricted	\$ 34,322
Cash and Cash Equivalents, Restricted	164,332
Total Cash and Cash Equivalents	<u>\$ 198,654</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ (22,696)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	110,587
(Increase) Decrease in Accounts Receivable	(5,523)
Decrease in Other Receivable	199
(Increase) Decrease in Prepaid Insurance	(177)
Decrease in Due (to) and from Other Funds	2,895
(Decrease) Increase in Accounts Payable	1,345
(Decrease) Increase in Accrued Expenses	3,624
(Decrease) Increase in Customer Deposits	4,605
Net Cash Provided by Operating Activities	<u>\$ 94,859</u>

The accompanying notes are an integral part of this statement.

Basic Financial Statements

Notes to the Financial Statements

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

Introduction

The Town of Roseland was incorporated January 4, 1892, under the provisions of the Lawrason Act (Louisiana Revised Statutes (R.S.) 33:321-481) of the constitution of the State of Louisiana. The Town is located in the Parish of Tangipahoa and has a population of approximately 1,123, per the 2010 U.S. Census. The Town operates under a Board of Councilman – Mayor form of government and, as permitted under the act, provides police protection, fire protection, roads, streets, and sidewalks; sponsorship of federal and state supported programs; water and sewer utilities and other necessary public services.

Utility services are provided for 555 water customers, and 307 sewer customers. The Town employs approximately five full-time employees in addition to the Mayor and Board of Aldermen.

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

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining the reporting entity and component units that should be included within the reporting entity. Under provisions of this statement, the Town of Roseland is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB Statement No. 14, fiscally independent means that the Town may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. There are no other component units which the Town of Roseland has an oversight relationship.

1. Summary of Significant Accounting Policies

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, a primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are presented as separate columns in the fund financial statements.

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

The accompanying basic financial statements of the Town of Roseland have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999, and as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:513 and to the guides set forth in the Louisiana Governmental Audit Guide, and to the industry audit guide, *Audits of State and Local Governmental Units*.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The Town reports the following major governmental funds:

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

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

The Town reports the following major proprietary funds:

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

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

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

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when the liability is incurred or economic asset used. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are user charges for the services provided by the enterprise funds. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

C. Deposits and Investments

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

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

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

D. Receivables and Payables

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

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

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

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

E. Ad Valorem and Sales Taxes

The Town is permitted by the Municipal Finance Law of the state to levy taxes up to 15.66 mills on the total assessed value for the Town for governmental services other than the payment of principal and interest on long term debt and in required amounts for the payment of principal and interest on long term debt. For the year ended December 31, 2017 taxes of 15.63 mills were levied on property with taxable assessed valuations totaling \$3,871,819 for a total of \$60,517. The taxes were dedicated for general and fire protection purposes.

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

	<u>Authorized Millage</u>	<u>Levied Millage</u>
General Alimony	5.74 mills	5.71 mills
Fire Protection	9.92 mills	9.92 mills

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

F. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out method. Inventories of the governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. Restricted Assets

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

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings & Improvements	20 - 40 Years
Machinery and Equipment	5 - 15 Years
Water Utility System	20 - 50 Years
Sewer Utility System	20 - 50 Years

I. Compensated Absences

Permanent, full-time employees earn annual leave on the anniversary date of their employment based on years of service. Annual leave shall be earned on a pro-rata basis for each month of full-time employment as follows:

<u>Period of Employment</u>	<u>Annual Leave Earned</u>
0 to 1 year	3.33 hours per month = 40 hours per year
1 year to 10 years	6.67 hours per month = 80 hours per year
10 years and above	10.00 hours per month = 120 hours per year

Employees shall not be made eligible to use annual leave until after having completed one year of continuous employment. An employee may carry over or accumulate unused annual leave from one fiscal year to another but not to exceed 240 hours as of the last day of the Town's fiscal year. Leave is paid to an employee at the time of separation of employment provided that the employee was not dismissed for theft of Town property. The accrued annual leave is not considered material. No liability is recorded for leave in the accompanying statements.

Sick Leave is earned at the rate of four hours each month for the first year of full-time employment and eight hours per month for more than one year of service as a full-time employee. Any unused sick leave at the end of a calendar year may be accrued up to ninety days but can be used only for major medical leave. There is no payment for accrued sick or medical leave upon retirement or termination. Therefore, accrual of the liability for unused sick leave is not required.

J. Long-Term Offerings

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

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

not withheld from the actual debt proceeds received, are now expended in the period incurred under GASB 65.

The Town has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and with the implementation of GASB 65, the recognition of bond-related costs, including the costs related to issuance and refunding of debt, were revised. This standard was intended to compliment GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are now expended in the period incurred under GASB 65. The Town did not have any bond related costs in the year ending December 31, 2017.

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

K. Fund Equity and Net Position

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

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

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

- **Nonspendable.** These are amounts that cannot be spent either, because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. Nonspendable reflects prepaid insurance in the amount of \$5,531.
- **Restricted.** These are amounts that can be spent only for specific purposes, because of constitutional provisions, enabling legislation or constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- **Committed.** These are amounts that can be used only for specific purposes determined by a formal decision of the Board, which is the highest level of decision making authority. To be reported as committed amounts, these cannot be used for any other purposes unless the government takes the same highest-level action to remove or change the constraint.
- **Assigned.** These are amounts that do not meet the criteria to be classified as restricted or committed, but are intended to be used for specific purposes based on the discretion of the Board.
- **Unassigned.** These are all other spendable amounts that are available for any purpose. Positive amounts are reported only in the general fund. Also, within other governmental funds, these include expenditure amounts incurred for specific purposes which exceed the amounts restricted, committed, or assigned to those purposes.

L. Comparative Data/Reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2016, from which the comparative data was derived.

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

M. Extraordinary and Special Items

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

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

N. Estimates

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

O. Reconciliations of Government-Wide and Fund Financial Statements

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

2. Stewardship, Compliance and Accountability

The Town uses the following budget practices:

1. The Town Clerk prepares a proposed budget and submits same to the Mayor and Town Council no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving the increase in expenditures resulting from revenues exceeding amounts estimated require the approval of the Town Council.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for the general and enterprise funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgets for enterprise funds are presented on the accrual basis of accounting. Other governmental funds are presented on the modified accrual basis of accounting. Accordingly, the budgetary comparison schedules present actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. All budgetary amounts presented reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

The proposed budget for December 31, 2017 was made available for public inspection November 10, 2016. The proposed budget, prepared on the modified accrual basis of accounting, was published on November 23, November 30, and December 7, 2016, prior to the public hearing which was held at the Town of Roseland's City Hall on December 8, 2016, for comments by taxpayers. The budget was legally adopted by the Town Council on December 8, 2016.

The amended budget for December 31, 2017 was made available for public inspection on November 7, 2017. The amended budget, prepared on the modified accrual basis of accounting, was published on November 29, December 6, and December 13, 2017, prior to the public hearing which was held at the Town of Roseland's City Hall on December 14, 2017, for comments by taxpayers. The amended budget was legally adopted by the Town Council on December 14, 2017.

There were no funds that had actual revenues and other sources under budgeted revenues and other sources or actual expenditures and other uses over budgeted amounts resulting in unfavorable variances greater than five percent in accordance with the Local Government Budget Act for the fiscal year ended December 31, 2017.

3. Cash and Cash Equivalents

At December 31, 2017, the Town has cash and cash equivalents (book balances), as follows:

Demand Deposits	\$ 426,772
	<u>\$ 426,772</u>

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

Custodial credit risk as it relates to cash deposits is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2017, the Town has \$447,329 in deposits (collected bank balances), within one bank, consisting of demand deposits. The demand deposits are secured from risk by \$250,000 of federal deposit insurance and \$197,329 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The \$197,329 of pledged securities are exposed to custodial credit risk because while the amount is secured by pledged securities, such securities are held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

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

4. Investments

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the town or its agent in the Town's name

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

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

At December 31, 2017, the Town's did not hold any investments.

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

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

5. Receivables

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

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

The Governmental Fund receivables at December 31, 2017 consist of the following:

Government Receivables	General Fund	Special Revenue Funds	Total
Taxes:			
Ad Valorem	\$ 11,617	\$ 20,971	\$ 32,588
Sales Tax Receivable	15,198	-	15,198
Franchise Tax	8,227	-	8,227
Intergovernmental:			-
Other Receivables	301	-	301
Total Government Receivables	\$ 35,343	\$ 20,971	\$ 56,314

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

The Enterprise Fund accounts receivable at December 31, 2017 consist of the following: **Enterprise**

Accounts Receivable	Fund
Current	\$ 24,005
31 - 60 Days	4,223
61 - 90 Days	3,962
91 - 120 Days	2,857
Over 120 Days	45,253
Subtotal	80,300
Less Allowance for Bad Debt	(21,250)
Accounts Receivables, Net	59,050
Unbilled Receivables	4,809
Total Accounts Receivable	<u>\$ 63,859</u>

6. Restricted Assets

The following is a listing of the restricted assets for the fund financial statements on December 31, 2017:

The Restricted Assets for all funds at December 31, 2017 consist of the following:

	General	Special	Enterprise	
Restricted Assets	Fund	Revenue	Fund	Total
Cash and Cash Equivalents				
Customer Deposits	\$ -	\$ -	\$ 68,874	\$ 68,874
Bond Reserve Account	-		52,644	52,644
Bond Contingency Account	-	-	42,814	42,814
Total Restricted Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,332</u>	<u>\$ 164,332</u>

7. Interfund Receivables/Payables

The following is a detailed list of interfund balances for fund financial statements on December 31, 2017:

	Due From	Due To
Interfund Balances	Other Funds	Other Funds
General Fund		
Volunteer Fire Fund	\$ -	\$ 16,491
Enterprise Fund	172,309	103
Special Revenue Funds		
Volunteer Fire Fund		
General Fund	16,491	-
Enterprise Fund		
General Fund	-	172,206
Total Interfund Balances	<u>\$ 188,800</u>	<u>\$ 188,800</u>

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

8. Capital Assets

The following is a summary of the changes in capital assets for governmental activities for the fiscal year ended December 31, 2017:

Governmental Activities Capital Assets:	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 58,693	\$ -	\$ -	\$ 58,693
Construction in Progress	-	40,941	-	40,941
Total Capital Assets Not Being Depreciated	58,693	40,941	-	99,634
Capital Assets Being Depreciated:				
Buildings and Improvements	716,830	-	-	716,830
Machinery and Equipment	610,306	26,878	-	637,184
Total Capital Assets Being Depreciated	1,327,136	26,878	-	1,354,014
Less Accumulated Depreciation for:				
Buildings and Improvements	(282,560)	(20,032)	-	(302,592)
Machinery and Equipment	(523,507)	(40,749)	-	(564,256)
Total Accumulated Depreciation	(806,067)	(60,781)	-	(866,848)
Total Capital Assets Being Depreciated, Net	521,069	(33,903)	-	487,166
Total Governmental Activities Capital Assets, Net	\$ 579,762	\$ 7,038	\$ -	\$ 586,800
Depreciation was charged to governmental functions as follows:				
General Government				\$ 23,671
Public Safety - Police				4,895
Public Safety - Fire				20,252
Public Works				11,963
				<u>\$ 60,781</u>

Significant capital additions for the fiscal year ending December 31, 2017, consisted of the following. For governmental funds, \$40,941 in expenditures relating to the LCDBG project recorded as Construction in Progress, a fire truck was purchased for \$15,550 and police vehicles that were donated in the amount of \$11,328.

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

Capital assets and depreciation activity as of and for the year ended December 31, 2017 for business-type activities is as follows:

Business - Type Activities Capital Assets:	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 6,500	\$ -	\$ -	\$ 6,500
Construction in Progress	-	-	-	-
Total Capital Assets Not Being Depreciated	<u>6,500</u>	<u>-</u>	<u>-</u>	<u>6,500</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	20,640	-	-	20,640
Machinery and Equipment	36,428	-	-	36,428
Water Utility System	2,131,847	-	-	2,131,847
Sewer Utility System	2,150,807	-	-	2,150,807
Total Capital Assets Being Depreciated	<u>4,339,722</u>	<u>-</u>	<u>-</u>	<u>4,339,722</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(20,640)	-	-	(20,640)
Machinery and Equipment	(21,767)	(4403)	-	(26,170)
Water Utility System	(1,472,467)	(40,280)	-	(1,512,747)
Sewer Utility System	(1,376,500)	(65,904)	-	(1,442,404)
Total Accumulated Depreciation	<u>(2,891,374)</u>	<u>(110,587)</u>	<u>-</u>	<u>(3,001,961)</u>
Total Capital Assets Being Depreciated, Net	<u>1,448,348</u>	<u>(110,587)</u>	<u>-</u>	<u>1,337,761</u>
Total Business - Type Activities Capital Assets, Net	\$ <u>1,454,848</u>	\$ <u>(110,587)</u>	\$ <u>-</u>	\$ <u>1,344,261</u>

9. Interfund Transfers

There were no interfund transfers between funds for the year ended December 31, 2017.

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

10. Accounts, Salaries, and Other Payables

Fund payables at December 31, 2017 are as follows:

Funds Payable	General Fund	Volunteer Fire Fund	Utility Fund	Total
Accounts	\$ 13,966	\$ 4,212	\$ 6,064	\$ 24,242
Payroll Tax Related Liabilities	6,855	-	-	6,855
Other	-	-	6,994	6,994
Total Funds Payable	\$ 20,821	\$ 4,212	\$ 13,058	\$ 38,091

11. Short-Term Debt

The Town had no short-term debt outstanding at December 31, 2017, other than the current portions of revenue bonds payables described in the long-term debt footnote.

12. Capital Leases

The Town records items under capital leases as an asset and an obligation in the accompanying financial statements. At December 31, 2017, the Town had no capital leases.

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

13. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended December 31, 2017:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Capital Leases</u>	<u>Certificates of Indebtedness</u>	<u>Capital Leases</u>	<u>Revenue Bonds</u>	<u>Long-Term Obligations</u>
Beginning Balance	\$ -	\$ -	\$ -	\$ 409,611	\$ 409,611
Additions	-	-	-	-	-
Deletions	-	-	-	-	-
Scheduled Payments	-	-	-	(26,506)	(26,506)
Ending Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 383,105</u>	<u>\$ 383,105</u>

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

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>			<u>Total</u>
	<u>Current Portion</u>	<u>Long Term Portion</u>	<u>Total</u>	<u>Current Portion</u>	<u>Long Term Portion</u>	<u>Total</u>	<u>Long-Term Obligations</u>
Governmental Activities							
Capital Leases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue Bonds	-	-	-	28,309	354,796	383,105	383,105
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,309</u>	<u>\$ 354,796</u>	<u>\$ 383,105</u>	<u>\$ 383,105</u>

Bonds Payable as of December 31, 2017 are as follows:

	<u>Bonds Payable End of Year</u>	<u>Due Within One Year</u>
Business Type: \$ 472,500 of Sewer Revenue Bonds, Series A		
Dated 01/22/88 , due in monthly installments of principal and interest of \$2,758 , through 01/22/2028, interest at 6.34%.	\$ 242,192	\$ 18,179
Business Type: \$ 272,000 of Sewer Revenue Bonds, Series B		
Dated 5/23/88 , due in monthly installments of principal and interest of \$1,540 , through 05/23/2028, interest at 6.125%.	140,913	10,130
	<u>\$ 383,105</u>	<u>\$ 28,309</u>

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

The annual requirements to amortize all debt outstanding at December 31, 2017, including interest payments of \$134,321 are as follows:

Year Ending 12/31/17	\$472,500 Utility Revenue Bonds 91-01	\$272,000 Utility Revenue Bonds 92-03	Total
2018	\$ 33,094	\$ 18,480	\$ 51,574
2019	33,094	18,480	51,574
2020	33,094	18,480	51,574
2021	33,094	18,480	51,574
2022	33,094	18,480	51,574
2023 to 2027	161,597	97,959	259,556
	<u>\$ 327,067</u>	<u>\$ 190,359</u>	<u>\$ 517,426</u>

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

Water and Sewer Revenue Bonds

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

The Reserve Fund is maintained solely for the purpose of paying the principal of and interest on bonds payable as to which there would otherwise be default. A monthly sum equal to one twelfth of five percent of the highest annual bond payments or \$137 for Series A and \$77 for Series B must be deposited into this fund no later than the 20th day of each month until \$33,094 for Series A and \$18,480 for Series B is on deposit therein for a total of \$51,574. This Reserve Fund is fully funded at December 31, 2017 with a balance maintained of \$52,644.

The Contingency Fund is established to care for depreciation, extensions, additions, improvements, renewals and replacements necessary to operate properly the System, by transferring from the Revenue Fund on or before the 20th day of each month of each year a sum of \$221. In addition to caring for depreciation, extensions, additions, improvements, renewals and replacements necessary to properly operate the System, the money in the Contingency Fund may also be used to pay the principal of and the interest on the bonds including any additional pari passu bonds issued hereafter in the manner provided by the Resolution, for the payment of which there is not sufficient money in the Reserve Funds. This Contingency Fund is fully funded at December 31, 2017 with a balance maintained of \$42,814.

Per Bond Covenants, the Town Council and the Mayor must maintain rates for utility services to provide for the payment of all reasonable and necessary expenses of the System, bond principal and interest payments, and the funding of required reserve accounts. As noted within the *Corrective Action Plan for Current Year Audit Findings* (Finding 2017-C1), the Town is required by bond covenants to shut off delinquent customer accounts water services to a customer whose account is not paid within forty days of the billing date. Past due and delinquent accounts are detailed in Footnote 5- *Receivables*.

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

15. Retirement Systems

All employees of the town are members of the social security system. In addition to employee payroll deductions, Town funds are remitted to match employee contributions. Town contributions to the social security system for the year ended December 31, 2017 were \$20,115.

16. Economic Development Award Agreement and Building Lease Proceeds and Revenue

On May 3, 2000 an Economic Development Award Agreement between the Louisiana Department of Economic Development, Karts International. (the Company), and the Town of Roseland (the Sponsoring Entity) was approved by the Governor of the State of Louisiana. The grant award 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 through November 10, 2003.

As part of the agreement, the Company was required to meet specific performance objectives each year. Karts International is now bankrupt. The Company 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 advanced lease payments were 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 optional term commencing October 1, 2007 and ending September 30, 2009.

On September 30, 2009, the advanced lease payments ended. The Town entered into a lease agreement with American Sportworks, LLC beginning January 1, 2015. The current lease running through December 31, 2019 was for a monthly rent of \$6,700 with an option for an additional two-year term. During 2017, American Sportworks, LLC was purchased by another entity. The lease was cancelled as a result of this purchase per terms of the lease agreement. The total rent received for the current fiscal period was \$67,000.

17. Other Commitments

In 2017, the Town entered into a professional services contract with Laurie Mosher for administrative consulting services for the Louisiana Community Development Block Grant Program related to the water tank rehabilitation project. The total contract amount is \$32,800. As of December 31, 2017, the Town has incurred \$9,477 in administrative costs for this project. There is approximately \$23,323 remaining in the contract for administrative costs.

The Town also entered into a professional services contract with Spangler Engineering, LLC in the amount of \$57,123 for the engineering related to the water tank rehabilitation project. As of December 31, 2017, the Town has incurred \$28,562 in engineering costs for this project. There is approximately \$28,561 remaining in the contract for engineering costs.

In a special board meeting on March 27, 2018, the Town accepted the low bid from Professional Application Service, Inc. in the amount of \$492,800 for construction of the water tank rehabilitation project.

Town of Roseland
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

18. Fund Balances and Net Position

At December 31, 2017, the General Fund had a nonspendable fund balance created from \$4,061 of prepaid insurance. The Volunteer Fire Fund, a special revenue fund, had a nonspendable fund balance created from \$1,470 of prepaid insurance and \$141,961 that is assigned at fiscal year-end. The Utility fund has \$2,020 of net position restricted for customer deposits and \$95,458 of net position restricted for debt service.

19. Risk Management

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

20. Floods

During 2016, there were two separate federally declared disaster floods that affected the Town. The Town didn't experience any damage related to the March flood (FEMA 4263), however, it did incur costs related to debris cleanup and emergency protective services. The Town received \$7,367 in FEMA reimbursements for these costs. During the August flood (FEMA 4277), the Town did receive damage to Town Hall, to water and sewer facilities, and bridges. The Town also incurred costs related to debris cleanup and emergency protective services. In 2017, the Town was reimbursed \$79,403. As of the report date, the Town has received \$98,197 from FEMA for reimbursement for damages related to the August flood. The Town is presently working with FEMA representatives for reimbursement for other damages based on final estimates.

21. Subsequent Events

On December 14, 2017 in a regular Town Hall meeting, the board approved an increase to water and sewer rates effective January 1, 2018. The base water rate increased \$5.00 per customer and the base sewer rate increased \$1.00 per customer.

On March 27, 2018 in a special Town Hall meeting, the board accepted the low bid for the rehabilitation of the elevated tank from Professional Application Service, Inc. in the amount of \$492,800.

Subsequent events have been evaluated by management through August 15, 2018, the date the financial statements were available to be issued and these financial statements considered subsequent events through such date. No other events were noted that require recording or disclosure in the financial statements for the fiscal year ending December 31, 2017.

Required Supplemental Information (Part II)

Schedule 1

Town of Roseland
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Summary
For the year ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 227,000	\$ 227,000	\$ 258,101	\$ 31,101
Licenses and Permits	48,000	48,000	53,372	5,372
Intergovernmental	9,200	49,450	113,866	64,416
Charges for Services	5,200	5,200	-	(5,200)
Fines and Forfeitures	18,000	18,000	18,545	545
Interest	100	100	578	478
Donations	-	-	11,435	11,435
Miscellaneous	900	900	3,411	2,511
Total Revenues	<u>308,400</u>	<u>348,650</u>	<u>459,308</u>	<u>110,658</u>
Expenditures				
General Government	147,600	147,600	163,666	(16,066)
Public Safety:				
Police	125,500	153,400	153,144	256
Fire	24,000	24,000	20,864	3,136
Public Works	83,700	83,700	76,640	7,060
Capital Outlays	8,000	48,250	52,269	(4,019)
Total Expenditures	<u>388,800</u>	<u>456,950</u>	<u>466,583</u>	<u>(9,633)</u>
Excess Revenues (Expenditures)	<u>(80,400)</u>	<u>(108,300)</u>	<u>(7,275)</u>	<u>101,025</u>
Other Financing Sources (Uses)				
Building Lease Proceeds	80,400	80,400	67,000	(13,400)
Total Other Financing Sources (Uses)	<u>80,400</u>	<u>80,400</u>	<u>67,000</u>	<u>(13,400)</u>
Net Change in Fund Balances	<u>-</u>	<u>(27,900)</u>	<u>59,725</u>	<u>87,625</u>
Fund Balances, Beginning	226,851	226,851	226,851	-
Fund Balances, Ending	<u>\$ 226,851</u>	<u>\$ 198,951</u>	<u>\$ 286,576</u>	<u>\$ 87,625</u>

See Independent Auditor's Report

Schedule 2

Town of Roseland
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Detail
For the year ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Taxes				
Ad Valorem	\$ 20,000	\$ 20,000	\$ 24,198	\$ 4,198
Sales Taxes	175,000	175,000	201,464	26,464
Franchise Taxes	32,000	32,000	32,439	439
Total Taxes	<u>227,000</u>	<u>227,000</u>	<u>258,101</u>	<u>31,101</u>
Intergovernmental				
Federal Emergency Management Agency	-	-	66,756	66,756
State Grants	8,000	48,250	40,238	(8,012)
Beer Tax	1,200	1,200	1,087	(113)
Fire Insurance Rebate	-	-	5,785	5,785
Total Intergovernmental	<u>9,200</u>	<u>49,450</u>	<u>113,866</u>	<u>64,416</u>
Other Revenues				
Licenses and Permits	48,000	48,000	53,372	5,372
Charges for Services	5,200	5,200	-	(5,200)
Fines and Forfeitures	18,000	18,000	18,545	545
Interest	100	100	578	478
Donations	-	-	11,435	11,435
Miscellaneous	900	900	3,411	2,511
Total Other Revenues	<u>72,200</u>	<u>72,200</u>	<u>87,341</u>	<u>15,141</u>
Total Revenues	<u>308,400</u>	<u>348,650</u>	<u>459,308</u>	<u>110,658</u>

Continued

See Independent Auditor's Report

Schedule 2

Town of Roseland
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Detail
For the year ended December 31, 2017

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
General Government				
Salaries	52,000	52,000	56,565	(4,565)
Payroll Taxes	4,000	4,000	4,459	(459)
General and Administrative	2,800	2,800	2,275	525
Insurance	32,000	32,000	34,480	(2,480)
Other operating	5,500	5,500	7,123	(1,623)
Professional Fees	33,800	33,800	42,579	(8,779)
Repairs and Maintenance	2,500	2,500	1,612	888
Supplies	6,000	6,000	9,030	(3,030)
Utilities	9,000	9,000	5,543	3,457
Total General Government	147,600	147,600	163,666	(16,066)
Public Safety:				
Police				
Salaries	86,000	97,000	97,688	(688)
Payroll Taxes	7,400	8,600	8,672	(72)
Insurance	14,500	14,700	11,849	2,851
Vehicle Expenses	6,000	15,000	17,112	(2,112)
Other operating	2,600	4,600	4,765	(165)
Repairs and Maintenance	3,000	7,500	8,001	(501)
Supplies	2,000	2,000	1,766	234
Utilities	4,000	4,000	3,291	709
Total Police	125,500	153,400	153,144	256
Fire				
Salaries	18,000	18,000	13,213	4,787
Payroll Taxes	2,000	2,000	1,359	641
Insurance	-	-	1,275	(1,275)
Other operating	-	-	81	(81)
Repairs and Maintenance	-	-	1,690	(1,690)
Utilities	4,000	4,000	3,246	754
Total Fire	24,000	24,000	20,864	3,136
Total Public Safety	149,500	177,400	174,008	3,392

Continued

See Independent Auditor's Report

Schedule 2

Town of Roseland
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Detail
For the year ended December 31, 2017

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
Public Works				
Salaries	31,000	31,000	33,089	(2,089)
Payroll Taxes	3,000	3,000	3,148	(148)
Insurance	2,400	2,400	2,506	(106)
Other operating	4,800	4,800	2,046	2,754
Repairs and Maintenance	15,000	15,000	13,305	1,695
Supplies	6,000	6,000	974	5,026
Utilities	21,500	21,500	21,572	(72)
Total Public Works	<u>83,700</u>	<u>83,700</u>	<u>76,640</u>	<u>7,060</u>
Capital Outlays	<u>8,000</u>	<u>48,250</u>	<u>52,269</u>	<u>(4,019)</u>
Total Expenditures	<u>388,800</u>	<u>456,950</u>	<u>466,583</u>	<u>(9,633)</u>
Excess Revenues (Expenditures)	<u>(80,400)</u>	<u>(108,300)</u>	<u>(7,275)</u>	<u>101,025</u>
Other Financing Sources (Uses)				
Building Lease Proceeds	80,400	80,400	67,000	(13,400)
Total Other Financing Sources (Uses)	<u>80,400</u>	<u>80,400</u>	<u>67,000</u>	<u>(13,400)</u>
Net Change in Fund Balances	<u>-</u>	<u>(27,900)</u>	<u>59,725</u>	<u>87,625</u>
Fund Balances, Beginning	<u>226,851</u>	<u>226,851</u>	<u>226,851</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 226,851</u>	<u>\$ 198,951</u>	<u>\$ 286,576</u>	<u>\$ 87,625</u>

Concluded

See Independent Auditor's Report

Schedule 3

Town of Roseland

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) and Actual
Special Revenue Fund - Fire Protection
For the year ended December 31, 2017**

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Ad Valorem Taxes	\$ 30,000	\$ 30,000	\$ 38,511	\$ 8,511
Interest	250	250	673	423
Miscellaneous	-	-	-	-
Total Revenues	<u>30,250</u>	<u>30,250</u>	<u>39,184</u>	<u>8,934</u>
Expenditures				
Public Safety:				
Fire	7,000	7,000	-	7,000
Salaries	6,000	6,000	-	6,000
Payroll Taxes	600	600	-	600
General and Administrative	1,200	2,000	1,374	626
Insurance	-	-	5,965	(5,965)
Fuel	1,200	1,200	1,167	33
Other operating	1,950	1,950	1,256	694
Professional Fees	-	2,650	2,650	-
Repairs and Maintenance	7,000	19,000	15,222	3,778
Supplies	1,200	25,000	23,163	1,837
Utilities	4,000	4,000	4,593	(593)
Capital Outlays	-	15,550	15,550	-
Total Expenditures	<u>30,150</u>	<u>84,950</u>	<u>70,940</u>	<u>14,010</u>
Excess Revenues (Expenditures)	<u>100</u>	<u>(54,700)</u>	<u>(31,756)</u>	<u>22,944</u>
Net Change in Fund Balances	<u>100</u>	<u>(54,700)</u>	<u>(31,756)</u>	<u>22,944</u>
Fund Balances, Beginning	<u>175,187</u>	<u>175,187</u>	<u>175,187</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 175,287</u>	<u>\$ 120,487</u>	<u>\$ 143,431</u>	<u>\$ 22,944</u>

See Independent Auditor's Report

Other Supplemental Information

Schedule 4

Town of Roseland
Schedule of Net Position - Proprietary Fund Type
As of December 31, 2017
(with 2016 summarized comparative information)

	Enterprise Funds	
	2017	2016
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 34,322	\$ 1,662
Receivables, Net		
Accounts	63,859	58,336
Prepaid Insurance	2,708	2,531
Other Receivables	839	1,038
Due From Other Funds	-	919
Total Current Assets	<u>101,728</u>	<u>64,486</u>
Restricted Assets:		
Restricted Cash and Cash Equivalents	164,332	152,267
Total Restricted Assets	<u>164,332</u>	<u>152,267</u>
Property, Plant, and Equipment		
Land	6,500	6,500
Property, Plant and Equipment, Net	1,337,761	1,448,348
Total Property, Plant, and Equipment	<u>1,344,261</u>	<u>1,454,848</u>
Total Assets	<u>1,610,321</u>	<u>1,671,601</u>
Liabilities		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	6,064	4,719
Other Accrued Payables	6,994	3,370
Due To Other Funds	172,206	170,230
Total Current Liabilities (Payable From Current Assets)	<u>185,264</u>	<u>178,319</u>
Current Liabilities (Payable From Restricted Assets):		
Customer Deposits	66,854	62,249
Revenue Bonds Payable	28,309	26,589
Interest Payable on Long Term Debt	570	610
Total Current Liabilities (Payable From Restricted Assets)	<u>95,733</u>	<u>89,448</u>
Long Term Liabilities:		
Bonds Payable	354,796	383,022
Total Long Term Liabilities	<u>354,796</u>	<u>383,022</u>
Total Liabilities	<u>635,793</u>	<u>650,789</u>
Net Position		
Net Investment in Capital Assets	961,156	1,045,237
Restricted for:		
Capital Projects and Debt Service	97,478	90,018
Unrestricted	(84,106)	(114,443)
Total Net Position	<u>\$ 974,528</u>	<u>\$ 1,020,812</u>

See Independent Auditor's Report

Schedule 5

Town of Roseland
Schedule of Revenues, Expenses and Changes in Net Position
Proprietary Fund Type
For the year ended December 31, 2017
(with 2016 summarized comparative information)

	Enterprise Funds	
	2017	2016
Operating Revenues		
Water Sales	\$ 169,766	\$ 157,307
Sewer Service Charges	98,771	93,256
Penalties	12,904	12,333
Intergovernmental	22,647	1,113
Other	4,810	1,194
Total Operating Revenues	308,898	265,203
Operating Expenses		
Contract Services	17,400	17,915
Depreciation	110,587	110,659
Insurance	17,454	14,873
Payroll Taxes	5,625	5,562
Professional Fees	15,200	16,750
Repairs and Maintenance	55,529	38,452
Salaries and Wages	73,533	72,706
Supplies	6,337	5,343
Utilities	20,889	16,758
Other	9,040	11,416
Total Operating Expenses	331,594	310,434
Operating Income (Loss)	(22,696)	(45,231)
Nonoperating Revenues (Expenses)		
Interest Income	1,440	321
Interest Expense	(25,028)	(26,476)
Total Nonoperating Revenues (Expenses)	(23,588)	(26,155)
Change in Net Position	(46,284)	(71,386)
Total Net Position, Beginning	1,020,812	1,092,198
Total Net Position, Ending	\$ 974,528	\$ 1,020,812

See Independent Auditor's Report

Schedule 6

Town of Roseland
Schedule of Cash Flows
Proprietary Fund Type
For the year ended December 31, 2017
(with 2016 summarized comparative information)

	Enterprise Funds	
	2017	2016
Cash Flows From Operating Activities		
Received From Customers	\$ 275,918	\$ 240,761
Received for Meter Deposit Fees	4,605	4,692
Other Receipts	27,656	13,818
Receipt (Paid) for Interfund Services	2,895	(12,367)
Payments for Operations	(137,057)	(121,673)
Payments to Employees	(79,158)	(78,268)
Net Cash Provided (Used) by Operating Activities	<u>94,859</u>	<u>46,963</u>
Cash Flows From Capital and Related Financing Activities		
Payments for Capital Acquisitions	-	(7,150)
Principal Proceeds from (Repayments for) Long Term Debt	(26,506)	(25,060)
Interest Payments for Long Term Debt	(25,068)	(26,513)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(51,574)</u>	<u>(58,723)</u>
Cash Flows From Investing Activities		
Receipt of Interest	1,440	321
Net Cash Provided by Investing Activities	<u>1,440</u>	<u>321</u>
Net Increase (Decrease) in Cash and Cash Equivalents	44,725	(11,439)
Cash and Cash Equivalents, Beginning of Year	153,929	165,368
Cash and Cash Equivalents, End of Year	<u>\$ 198,654</u>	<u>\$ 153,929</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and Cash Equivalents, Unrestricted	\$ 34,322	\$ 1,662
Cash and Cash Equivalents, Restricted	164,332	152,267
Total Cash and Cash Equivalents	<u>\$ 198,654</u>	<u>\$ 153,929</u>

(Continued)

See Independent Auditor's Report

Schedule 6

Town of Roseland
Schedule of Cash Flows
Proprietary Fund Type
For the year ended December 31, 2017
(with 2016 summarized comparative information)

	Enterprise Funds	
	2017	2016
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)		
by Operating Activities		
Operating Income (Loss)	\$ (22,696)	\$ (45,231)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided		
by Operating Activities:		
Depreciation	110,587	110,659
(Increase) Decrease in Accounts Receivable	(5,523)	(22,135)
(Increase) Decrease in Other Receivable	199	11,511
(Increase) Decrease in Prepaid Insurance	(177)	(148)
(Increase) Decrease in Due (to) and from Other Funds	2,895	(12,367)
Increase (Decrease) in Accounts Payable	1,345	(1,617)
Increase (Decrease) in Accrued Expenses	3,624	1,599
Increase (Decrease) in Customer Deposits	4,605	4,692
Net Cash Provided by Operating Activities	<u>\$ 94,859</u>	<u>\$ 46,963</u>

See Independent Auditor's Report
(Concluded)

Schedule 7

Town of Roseland
Schedule of Revenues, Expenses and Changes in Net Position
Budget (GAAP Basis) and Actual, Proprietary Fund Type, Water and Sewer Utility System
For the year ended December 31, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Water Sales	\$ 170,000	\$ 169,766	\$ (234)
Sewer Charges	105,000	98,771	(6,229)
Penalties	11,000	12,904	1,904
Intergovernmental	-	22,647	22,647
Other	1,700	4,810	3,110
Total Operating Revenues	<u>287,700</u>	<u>308,898</u>	<u>21,198</u>
Operating Expenses			
Contract Services	16,800	17,400	(600)
Depreciation	100,000	110,587	(10,587)
Insurance	15,000	17,454	(2,454)
Payroll Taxes	4,800	5,625	(825)
Professional Fees	16,000	15,200	800
Repairs and Maintenance	24,800	55,529	(30,729)
Salaries and Wages	53,000	73,533	(20,533)
Supplies	3,600	6,337	(2,737)
Utilities	18,000	20,889	(2,889)
Other	11,000	9,040	1,960
Total Operating Expenses	<u>263,000</u>	<u>331,594</u>	<u>(68,594)</u>
Operating Income (Loss)	<u>24,700</u>	<u>(22,696)</u>	<u>(47,396)</u>
Nonoperating Revenues (Expenses)			
Interest Income	300	1,440	1,140
Interest Expense	(25,000)	(25,028)	(28)
Total Nonoperating Revenues (Expenses)	<u>(24,700)</u>	<u>(23,588)</u>	<u>1,112</u>
Income (Loss) Before Transfers	<u>-</u>	<u>(46,284)</u>	<u>(46,284)</u>
Transfers			
Operating Transfers In	-	-	-
Operating Transfers Out	-	-	-
Change in Net Position	<u>\$ -</u>	<u>\$ (46,284)</u>	<u>\$ (46,284)</u>

See Independent Auditor's Report

Schedule 8

**Town of Roseland
Schedule of Water and Sewer Rates
Proprietary Fund Type
For the year ended December 31, 2017**

Water	
Residential Rates	Commercial Rates
In Town	In Town
\$ 16.25 - Base Charge	\$ 28.25 - Base Charge
\$ 1.90 - Per 1,000 Gallons of Water over 2,000 Gallons	\$ 1.90 - Per 1,000 Gallons of Water over 10,000 Gallons
Out of Town	Out of Town
\$ 20.25 - Base Charge	\$ 31.25 - Base Charge
\$ 2.00 - Per 1,000 Gallons of Water over 2,000 Gallons	\$ 2.00 - Per 1,000 Gallons of Water over 10,000 Gallons
	\$ 89.00 - Flat Rate Customers
Sewer	
Residential Rates	Commercial Rates
Metered	
\$ 15.00 - Base Charge	\$ 32.00 - Base Charge
\$ 3.25 - Per 1,000 Gallons of Water over 2,000 Gallons	\$ 3.25 - Per 1,000 Gallons of Water over 2,000 Gallons
In Town	Wholesale
\$ 28.00 - Flat Rate	\$ 129.00

**Schedule of Number of Customers
Proprietary Fund Type
For the year ended December 31, 2017**

	Residential	Commercial	School	Total
Water	517	38	-	555
Sewer	292	14	1	307
Total	809	52	1	862

See Independent Auditor's Report

Schedule 9

Town of Roseland
Schedule of Insurance
For the year ended December 31, 2017

Insurance Company / Policy Number	Coverage	Amount	Period
Louisiana Municipal Risk Management Agency			
100-0294-16474	Commercial General Liability	\$ 500,000	11/6/2017 to 11/6/2018
	Commercial Automobile	500,000	
	Law Enforcement Officer's Comprehensive Liability	500,000	
	Public Officials' Errors and Omissions Liability	500,000	
Group # 70-0303	Workers Compensation at Statutory Limitations		12/29/2017 to 12/29/2018
American Alternative Insurance Corporation			
GPPA-PF-6050522-06	Commercial Property Coverage	1,946,109	5/5/2017 to 5/5/2018
	Water and Sewer Dept. Property		
	Commercial General Liability	3,000,000	
	Personal & Advertising Injury	1,000,000	
	Each Occurrence	1,000,000	
	Fire Damage	1,000,000	
	Employee Theft	10,000	
Underwriters at Lloyd's, London			
LA49618	Commercial Property Coverage-Warehouse	1,200,000	5/6/2017 5/6/2018
American Alternative Insurance Corporation			
VFIS-CM1051305-10	Business Auto Liability - Fire Department	1,000,000	4/1/2017 to 4/1/2018
		per accident	
	Physical Damage for Vehicles	As Scheduled	
Western Surety Company			
61449079	Bond on Clerk	15,000	8/23/2017 to 8/23/2018
Western Surety Company			
70738203	Bond on Mayor	50,000	6/11/2017 to 6/11/2018

See Independent Auditor's Report.

Schedule 10

**Town of Roseland
Schedule of Compensation Paid to Board Members
For the year ended December 31, 2017**

<u>Name and Title / Contact Number</u>	<u>Address</u>	<u>Compensation Received</u>
Wanda McCoy, Mayor (225) 362-3528	P.O. Box 511 Roseland, Louisiana 70456	\$ 15,325
Kevin Robinson, Council Member (985) 517-6619	P.O. Box 95 Roseland, Louisiana 70456	2,475
Charles Davis, Council Member (985) 286-3699	12359 Roseland Avenue Roseland, Louisiana 70456	2,025
Rose Bennett, Council Member (985) 474-5034	63061 Church Street Roseland, Louisiana 70456	2,400
Sandra Turner, Council Member (985) 748-9589	P.O. Box 89 Roseland, Louisiana 70456	2,475
Ruthie Vernon, Council Member (985) 791-1796	12184 Buchanan Lane Roseland, Louisiana 70456	2,475
		<u>\$ 27,175</u>

All terms expire December 31, 2020.

See Independent Auditor's Report

Schedule 11

Town of Roseland
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the year ended December 31, 2017

Agency Head Name: Wanda McCoy, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 15,325
Employer Paid Payroll Taxes	1,172
Registration Fees	200
Conference Travel	412
Meals and Incidental Per Diem	60
Total	<u>\$ 17,169</u>

See Independent Auditor's Report.

Bruce C. Harrell, CPA

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

INTERNET
www.teamcpa.com

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BRUCE HARRELL
and COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

109 West Minnesota Park
Park Place Suite 7
Hammond, LA 70403
VOICE: (985) 542-6372
FAX: (985) 345-3156

KENTWOOD OFFICE
P.O. Box 45 - 909 Avenue G
Kentwood, LA 70444
VOICE: (985) 229-5955
FAX: (985) 229-5951

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Town of Roseland, Louisiana (the "Town") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated August 15, 2018.

Internal Control over Financial Reporting

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

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

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

BRUCE HARRELL & CO.
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To the Town of Roseland
Roseland, Louisiana
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described in Findings 2017-I2, 2017-I3, and 2017-I4 in the accompanying *Schedule of Findings and Responses* to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Findings 2017-I1 and 2017-I5 in the accompanying *Schedule of Findings and Responses* to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards* and which are described in Findings 2017-C1, 2017-C2, 2017-C3, and 2017-C4 in the accompanying *Schedule of Findings and Responses*.

Town of Roseland's Response to Findings

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

Purpose of this Report

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



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation
Kentwood, Louisiana
August 15, 2018

Town of Roseland
Roseland, Louisiana

Schedule 12

Schedule of Findings and Responses
For the Year Ended December 31, 2017

Section I Summary of Auditor's Reports

Financial Statements

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

Unmodified ☒
Disclaimer ☐

Qualified ☐
Adverse ☐

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

Internal Control:

Material Weaknesses ☒ Yes ☐ No Significant Deficiencies ☒ Yes ☐ No

Compliance:

Noncompliance Material to Financial Statements ☒ Yes ☐ No

Federal Awards – N/A

Internal Control over Major Federal Programs:

Material Weaknesses ☐ Yes ☐ No Significant Deficiencies ☐ Yes ☐ No

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

Unmodified ☐ Qualified ☐
Disclaimer ☐ Adverse ☐

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

☐ Yes ☐ No

Was a management letter issued?

☐ Yes ☒ No

Identification of Major Programs:

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

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

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

**Schedule of Findings and Responses
For the Year Ended December 31, 2017**

Section II Financial Statement Findings

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

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

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

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

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

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

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

Contact Person:

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

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

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

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

The prior year audit reported uncollected prior year ad valorem taxes due to the Town of \$15,743 at December 31, 2014. For the fiscal year ending December 31, 2015, the total uncollected prior year ad

**Schedule of Findings and Responses
For the Year Ended December 31, 2017**

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

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

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

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

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

Contact Person:

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

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

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

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

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

**Schedule of Findings and Responses
For the Year Ended December 31, 2017**

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

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

**Schedule of Findings and Responses
For the Year Ended December 31, 2017**

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

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

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

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

Contact Person:

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

Finding 2017-C1: Bond Requirements (Noncompliance)

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

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

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

**Schedule of Findings and Responses
For the Year Ended December 31, 2017**

Effect: Noncompliance with bond requirements.

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

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

Contact Person:

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

Finding 2017-C2: Traffic Citations (Noncompliance)

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

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

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

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

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

**Schedule of Findings and Responses
For the Year Ended December 31, 2017**

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

Effect: Noncompliance with the above referenced statutes.

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

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

Contact Person:

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

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

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

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

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

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

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

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

Contact Person:

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

**Schedule of Findings and Responses
For the Year Ended December 31, 2017**

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

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

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

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

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

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

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

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

Contact Person:

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

Finding 2017-I5: Inadequate Internal Controls over Capital Assets (Significant Deficiency)

Criteria: Adequately designed and implemented internal control system over financial reporting provides, among other things, reasonable assurance that financial data is accurate and complete and that Town's assets are properly safeguarded. A physical inventory of capital assets allows for the proper accounting for capital

**Schedule of Findings and Responses
For the Year Ended December 31, 2017**

assets and provides an opportunity, if one otherwise wouldn't have existed, to note any indicators for impairment.

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

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

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

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

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

Contact Person:

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

Finding 2017-C4 Audit Filing Requirement (Noncompliance)

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

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

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

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

**Town of Roseland
Roseland, Louisiana**

Schedule 12

**Schedule of Findings and Responses
For the Year Ended December 31, 2017**

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

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

Contact Person:

Wanda McCoy, Mayor

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

Section III Federal Award Findings and Questioned Costs

No Section III Findings

Schedule of Prior Year Findings and Responses
For the Year Ended December 31, 2017

Section I Internal Control and Compliance Material to the Financial Statements

Finding 2016-I1: Inadequate Segregation of Duties (Significant Deficiency)

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

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

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

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

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

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

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

Current Year Status: Previous recommendations have been implemented. However, segregation of duties is a continuing issue with smaller organizations. This finding was reevaluated in the current year and reported as Finding 2017-I1 within the *Schedule of Findings and Responses*

Finding 2016-I2: Uncollected Ad Valorem Taxes (Material Weakness))

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

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

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

**Schedule of Prior Year Findings and Responses
For the Year Ended December 31, 2017**

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

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

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

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

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

Current Year Status: Tax sale was not held. This finding was reevaluated in the current year and reported as Finding 2017-I2 within the *Schedule of Findings and Responses*.

Finding 2016-I3: Inadequate Controls over the Utility Billing System (Material Weakness)

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

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

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

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

**Schedule of Prior Year Findings and Responses
For the Year Ended December 31, 2017**

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

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

**Schedule of Prior Year Findings and Responses
For the Year Ended December 31, 2017**

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

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

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

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

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

This finding was reevaluated in the current year and reported as Finding 2017-I3 within the *Schedule of Findings and Responses*.

Finding 2016-C1: Bond Requirements (Noncompliance)

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

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

Condition: Failure to cut off services on delinquent accounts as previously described in Finding 2016-I3.

**Schedule of Prior Year Findings and Responses
For the Year Ended December 31, 2017**

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

Effect: Noncompliance with bond requirements.

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

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

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

This finding was reevaluated in the current year and reported as Finding 2017-C1 within the *Schedule of Findings and Responses*.

Finding 2016-C2: Traffic Citations (Noncompliance)

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

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

Condition: The Town's police department did not maintain record of each ticket book issued and the citations therein at the time of issuance nor did the Town account for all ticket numbers thereafter. Specifically, procedures performed as part of the audit of the Town's 2016 basic financial statements identified the following issues:

- Issuance of ticket books to officers with no accounting of the tickets issued;
- Copies of tickets issued were not consistently maintained by the police department;
- The police department maintained copies of only 12 issued citations. Of these citations, three were not included in the court's files nor included on the docket. It is therefore noted that the tickets were not properly processed;

**Schedule of Prior Year Findings and Responses
For the Year Ended December 31, 2017**

- Several gaps in ticket numbers on the docket without any copies of the tickets on hand and no accounting of the final disposition of the ticket. It is unknown if the tickets were spoiled and not returned or issued and improperly disposed; and
- Instances of payment amounts lower than the fine amount per the docket without documentation of the reduction.

Additionally, one unpaid citation, located on the docket included a notation that the citation was dismissed by the Mayor; however, the dismissal date was after the court date and did not coincide with another court date. It is noted that this citation was dismissed outside of court;

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

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

Effect: Noncompliance with the above referenced statutes.

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

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

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

This finding was reevaluated in the current year and reported as part of Finding 2017-C2 within the *Schedule of Findings and Responses*.

Finding 2016-I4: Lack of Internal Controls over Traffic Citations (Material Weakness)

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

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

**Schedule of Prior Year Findings and Responses
For the Year Ended December 31, 2017**

Condition: The Town's police department did not have adequate internal controls surrounding traffic citations as demonstrated in Finding 2016-C2.

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

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

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

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

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

This finding was reevaluated in the current year and reported as part of Finding 2017-I4 within the *Schedule of Findings and Responses*.

Finding 2016-C3 Donation, Loan, or Pledge of Public Credit (Noncompliance)

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

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

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

1. As noted in Finding 2016-I2, the Town demonstrated insufficient effort in collecting delinquent ad valorem taxes and failed to strictly adhere tax sale procedures. In doing so, funds of the Town were loaned to property holders with delinquent amounts.

**Schedule of Prior Year Findings and Responses
For the Year Ended December 31, 2017**

2. As noted in Finding 2016-I3, the Town failed to adhere to a strict cutoff policy and demonstrated insufficient effort in collecting delinquent accounts receivable amounts. In doing so, funds of the Town were loaned to customers with delinquent accounts as services continued to be provided to these customers.
3. As noted in Finding 2016-C2, the Town failed to provide documentation of legal and proper procedures for disposal of issued traffic citations or spoiled traffic citations. As such, there exists the possibility that amounts due the Town for traffic Citations were not properly collected.

Cause: Specifics of the condition above are discussed in Findings 2016-I2, 2016-I3, and 2016-C2.

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

Recommendation: See specific recommendations in Findings 2016-I2, 2016-I3, and 2016-C2. Also, the Town should monitor its compliance with applicable laws, regulations, contracts, and grant agreements.

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

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

This finding was reevaluated in the current year and reported as part of Finding 2017- C3 within the *Schedule of Findings and Responses*.

Finding 2016-C4 Local Budget Act (Noncompliance)

Year Initial Finding Occurred: Fiscal year ending December 31, 2016

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

Condition: The Town's actual expenditures and other uses in the Fire Fund exceeded the total budgeted expenditures and other uses by five percent or more.

Cause: Accounts payable at year end were higher than anticipated due to an unexpected expenditure very near year end.

Effect: Noncompliance with the above referenced statute.

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

**Town of Roseland
Roseland, Louisiana**

Schedule 13

**Schedule of Prior Year Findings and Responses
For the Year Ended December 31, 2017**

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

Current Year Status: Resolved.

Section II Internal Control and Compliance Material to Federal Awards

No Section II Findings.

Section III Management Letter

No Section III Findings.

Town of Roseland

Statewide Agreed-Upon Procedures

As of and for the Year Ended December 31, 2017



BRUCE HARRELL & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

Bruce C. Harrell, CPA
Kristi U. Bergeron, CPA
Jessica H. Jones, CPA
Brandy Westcott Garcia, CPA

INTERNET
www.teamcpa.com

MEMBERS
American Institute of CPAs
Society of Louisiana CPAs



BRUCE HARRELL
and COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

109 West Minnesota Park
Park Place Suite 7
Hammond, LA 70403
VOICE: (985) 542-6372
FAX: (985) 345-3156

KENTWOOD OFFICE
P.O. Box 45 - 909 Avenue G
Kentwood, LA 70444
VOICE: (985) 229-5955
FAX: (985) 229-5951

Independent Accountant's Report on Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below, which were agreed to by the Town of Roseland (Entity) and the Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 01, 2017 through December 31, 2017. The Entity's management is responsible for those C/C areas identified in the SAUP's.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget

Written policies and procedures were obtained and address the functions noted above; however, these policies were not formally adopted until after fiscal year end December 31, 2017.

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

Written policies and procedures were obtained and address the functions noted above, however, these policies were not formally adopted until after fiscal year end December 31, 2017. The policy does not specifically address how vendors are added to the vendor list and that purchase orders are used.

- c) **Disbursements**, including processing, reviewing, and approving
Written policies and procedures were obtained and address the functions noted above; however, these policies were not formally adopted until after fiscal year end December 31, 2017.
- d) **Receipts**, including receiving, recording, and preparing deposits
Written policies and procedures were obtained and address the functions noted above; however, these policies were not formally adopted until after fiscal year end December 31, 2017.
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
Written policies and procedures were obtained and address the functions noted above; however, these policies were not formally adopted until after fiscal year end December 31, 2017.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
Written policies and procedures were obtained and address the functions noted above; however, these policies were not formally adopted until after fiscal year end December 31, 2017.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
Written policies and procedures that were not formally adopted until after fiscal year end December 31, 2017 were obtained; however, these policies do not address credit cards since the Town does not use credit cards.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
Written policies and procedures that were not formally adopted until after fiscal year end December 31, 2017 were obtained and address the functions noted above; except the policy does not specifically address the dollar threshold by category of expense.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
Written policies and procedures were obtained and address the functions noted above; however, these policies were not formally adopted until after fiscal year end December 31, 2017.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
The Town had debt service procedures that it followed but not in writing. Written policies and procedures that were formally adopted after fiscal year end December 31, 2017 were obtained; however, they do not address the functions noted above.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
The board met (with a quorum) at least monthly.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

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

- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

The minutes did not include a reference to monthly budget-to-actual comparisons. However, budget to actual comparison at year-end does not show deficit spending.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

The minutes reference non-budgetary financial information for at least one meeting during the fiscal period.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Obtained listing of client bank accounts from management and management's representation that the listing is complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Obtained bank statements and reconciliations for all bank accounts for all months in the fiscal period noting that reconciliations have been prepared for all months in the fiscal year.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

The bank reconciliations for all accounts did not include evidence of management review. Bank reconciliations are performed by outside CPA. Going forward, the Town plans to designate one member of management or the board that is not involved in transactions associated with bank accounts to review and initial bank recs at future board meetings.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Of the 5 bank accounts reviewed, 1 had items outstanding for more than 6 months. Management states that these items were not being investigated; however, the outside CPA plans to work with the Town in order to investigate those items going forward.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Obtained listing of cash collection locations and management's representation that the listing is complete.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

(1) The Town carries bonds on all employees collecting cash. (2) The employee responsible for cash collections is sometimes responsible for depositing cash in the bank; however only after the deposit is prepared by a separate employee. The employee responsible for cash collections isn't responsible for recording the related transaction or reconciling the related bank account. (3) There is only one cash drawer at the Town. However, the drawer is reviewed and reconciled to each employee's collections to daily batch reports for each employee.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

Written documentation was obtained and addresses the functions noted with no exception.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

Using entity collection documentation, it appears that the deposits were made within one day of collection.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

No exceptions noted.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Written documentation was obtained and addresses the functions noted above.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

Listing of disbursements and management's representation that the listing is complete was obtained.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Examined supporting documentation for each of the 25 disbursements selected and found the following exception: 23 selections were for recurring purchases or services and were not accompanied by a purchase order. Per discussion with the client, recurring purchases and services do not require purchase orders. The Town's policy does not specify that recurring purchases or services do not require purchase orders. However, initiation and approval functions are separate.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Same as 9a above.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Same as 9a above. Also, all invoices lacked evidence of approval as the Board approves a check listing at the board meetings each month before the checks are signed.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

The individual responsible for processing payments is not prohibited from adding vendors, however this is done with the approval of the Mayor.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Written documentation was obtained and addresses the functions noted above.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

No exceptions noted.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

No signature stamp or machine is used.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

The Town does not have any credit, debit, or fuel cards.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

N/A

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

N/A

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

N/A.

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

N/A

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

N/A

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

N/A

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

N/A

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Listing of all travel and expense reimbursements by person and management's representation that the listing is complete was obtained.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Written policies and procedures that were not formally adopted until after fiscal year end December 31, 2017 were obtained and address the functions noted above; except the policy does not specifically address the dollar threshold by category of expense.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

Expense supported; no exceptions noted.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

Expense supported; no exceptions noted.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

Expense supported; no exceptions noted.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

Expense supported; no exceptions noted.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the

transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions noted.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Although supporting documentation failed to include evidence of review by the Mayor and approval by the board, the board approved check listing at meeting and further by signing the check for reimbursement.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Listing of all contracts in effect and management's representation that the listing is complete was obtained.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

Selected five contract vendors from the listing and obtained the related contracts, no exceptions noted.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

One contract is subject to the Louisiana Public Bid Law. No exception noted.

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

The other four contracts were executed without quote. All of these were for professional services which aren't required to solicit quotes.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

No amendments noted.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

No noncompliance with the terms and conditions of the contract noted.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Board approval noted in board minutes.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

Listing of employees with their related salaries and management's representation that the listing is complete was obtained.

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

Payments were noted as made in strict accordance with the pay rate structure; no exceptions noted.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Changes were noted as approved in writing and in accordance with written policy; no exceptions noted.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

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

Selected 7 employees/officials. Selected employees documented their daily attendance and leave; no exceptions noted.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Supervisor approval is received verbally. No written documentation of approval. Worksheet is maintained for leave earned and used for each employee.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Written documentation that the entity maintains written leave records noted.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Listing of employees/officials that terminated during the fiscal year and management's representation that the listing is complete was obtained. No termination payments noted.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and

employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Obtained documentation; No exceptions noted.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

Documentation maintained to demonstrate that required ethics training was completed on 3 of the 5 selected employees.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Inquired; none noted.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

No debt issued; therefore, this is not applicable.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Supporting documentation obtained. The Town made all scheduled debt service payments and maintained debt reserves as required by debt covenants.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Not applicable.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Inquired; none noted.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Notice is posted on the Town's premises. The Town does not have a website.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

No exceptions noted.

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

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

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

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

August 15, 2018