

RECEIVED
LEGISLATIVE AUDITOR
06 MAR 10 AM 11:48

TOWN OF ST. JOSEPH, LOUISIANA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2005
With
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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 3-22-06

THE HALFORD FIRM, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

RECEIVED
LEGISLATIVE AUDITOR
06 MAR 10 AM 11:48

TOWN OF ST. JOSEPH, LOUISIANA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2005

With

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

TOWN OF ST. JOSEPH, LOUISIANA
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Required Supplemental Information (Part A)	
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet- Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	16
Statement of Net Assets - Proprietary Fund	17
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Fund	18
Statement of Cash Flows - Proprietary Fund	19
Notes to the Financial Statements	21

TOWN OF ST. JOSEPH, LOUISIANA
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

TABLE OF CONTENTS

	<u>Page</u>
Required Supplemental Information (Part B)	
Budgetary Comparison Schedules:	
General Fund	35
Prevention Education Program Fund	36
Other Supplemental Information	
Non-Major Governmental Funds:	
Combining Balance Sheet	37
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance	38
Schedule of Compensation Paid to Aldermen	39
Reports Required by Government Auditing Standards	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	40
Schedule of Findings	42
Summary Status of Prior Year Audit Findings	45

THE HALFORD FIRM, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

Members
American Institute of
Certified Public Accountants

Mississippi Society of
Certified Public Accountants

Louisiana Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Mayor Edward Brown and
Board of Alderman
Town of St. Joseph
St. Joseph, Louisiana

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 Town of St. Joseph, as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of St. Joseph's management. Our responsibility is to express an opinion on these statements based on our audit.

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

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 St. Joseph, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2006 on our considerations of the Town of St. Joseph's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 35 through 36 are not a required part of the basic financial statements but are *supplementary information required by accounting principles generally accepted in the United States of America*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Howard Firm PLLC

Vicksburg, Mississippi
January 6, 2006

REQUIRED SUPPLEMENTAL INFORMATION
(PART A)

TOWN OF ST. JOSEPH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

As management of the Town of St. Joseph, we offer readers of the Town of St. Joseph's financial statements this narrative overview and analysis of the financial activities of the Town of St. Joseph for the fiscal year ended June 30, 2005. It is designed to assist the reader in focusing on significant financial issues, identify changes in the Town's financial position, and identify material deviations and individual fund issues or concerns.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Government issued June 2001.

Financial Highlights

- 1) The assets of the Town of St. Joseph exceeded its liabilities at the close of the most recent fiscal year by \$3,842,596. This was a net increase of total assets of \$279,614. Of this \$3,842,596 of net assets, \$535,059 was unrestricted, \$45,456 was restricted and \$3,262,081 was invested in capital assets.
- 2) As of the close of the fiscal year ended June 30, 2005, the Town's governmental funds reported a combined ending fund balance of \$136,865, a decrease of \$18,988 when compared to the fund balance of the prior year. Contributing to this \$18,988 deficit for the current year was \$20,933 of equipment purchases.
- 3) At the end of the fiscal year ending June 30, 2005, the General Fund's fund balance of \$97,377 was available for spending at the Town's discretion.
- 4) During the current year the Town finished construction of a new water treatment plant at a total cost of \$1,251,118. The funding for this water treatment plant was a bond issue of \$423,000, \$8,219 of local funds and a grant fund of \$819,899.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's financial statements. As noted above, the Town's adoption of GASB Statement No. 34 significantly changed the format and presentation of the Town's financial report. The Town's basic financial statements are comprised 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 themselves.

TOWN OF ST. JOSEPH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

Overview of the Financial Statements (cont.)

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad view of the Town's finances, in a manner similar to a private sector business.

The Statement of Net Assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, and earned, but unused vacation leave).

Both of the government-wide financial statements are designed to distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The Town's governmental activities include general government, public safety, public works, health and welfare, and recreation and culture functions.

The business-type activities of the Town include sewer, water, and gas utilities.

The government-wide financial statements can be found on pages 11 and 12 of this report.

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 legal requirements. The Town's funds are classified into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

TOWN OF ST. JOSEPH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

Overview of the Financial Statements (cont.)

Governmental funds (cont.)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. 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 fund and governmental activities.

The Town maintains four governmental funds that are grouped for management purposes into various fund types. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the General Fund and the Prevention Education Fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Town adopts an annual appropriated budget for its General Fund and for the Prevention Education Fund. A budgetary comparison statement has been provided for each fund to demonstrate compliance or lack thereof with these budgets.

The basic governmental fund financial statements can be found on pages 13 through 19 of this report.

Proprietary funds

The Town maintains one type of proprietary fund - Enterprise. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses its Enterprise Funds to account for its sewer, water, and gas utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 17 through 19 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government entity. For the year ended June 30, 2005, the Town had no fiduciary funds.

TOWN OF ST. JOSEPH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

Overview of the Financial Statements (cont.)

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 21 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also, presents certain required supplementary information concerning the Town's compliance with budgets for its major funds. The combining statements for non-major governmental funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. *In the case of the Town of St. Joseph, assets exceeded liabilities by \$3,842,596 at the close of the fiscal year ended June 30, 2005.*

By far the largest amount of the Town's net assets (\$3,262,081) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not 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 themselves cannot be used to liquidate these liabilities.

The following is a comparison of the Governmental and Business-Type Activities for the years ended June 30, 2005 and 2004.

TOWN OF ST. JOSEPH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SCHEDULE OF NET ASSETS
JUNE 30, 2005

Governmental Activities:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>Change</u>
Current and Other Assets	\$ 180,823	\$ 189,171	\$ (8,348)
Capital Assets	336,533	355,878	(19,345)
Total Assets	<u>517,356</u>	<u>545,049</u>	<u>(27,693)</u>
Current and Other Liabilities	43,958	33,319	(10,639)
Long-term Liabilities	-	-	-
Total Liabilities	<u>43,958</u>	<u>33,319</u>	<u>(10,639)</u>
Net Assets:			
Invested in Capital Assets			
Net of Related Debt	336,533	355,878	(19,345)
Unrestricted	136,865	155,852	(18,987)
Total Net Assets	<u>\$ 473,398</u>	<u>\$ 511,730</u>	<u>\$ (38,322)</u>

Business-Type Activities:

Current and Other Assets	\$ 529,878	\$ 884,623	\$ (354,745)
Capital Assets	3,344,105	2,849,715	494,390
Total Assets	<u>3,873,983</u>	<u>3,734,338</u>	<u>139,645</u>
Current and Other Liabilities	86,228	259,635	173,407
Long-term Liabilities	418,557	423,000	4,443
Total Liabilities	<u>504,785</u>	<u>682,635</u>	<u>177,850</u>
Net Assets:			
Invested in Capital Assets			
Net of Related Debt	2,925,548	2,426,715	498,833
Restricted	45,456	-	45,456
Unrestricted	398,194	624,987	(226,793)
Total Net Assets	<u>\$ 3,369,198</u>	<u>\$ 3,051,702</u>	<u>\$ 317,496</u>

Total Activities:

Current and Other Assets	\$ 710,701	\$ 1,073,794	\$ (363,093)
Capital Assets	3,680,638	3,205,593	475,045
Total Assets	<u>4,391,339</u>	<u>4,279,387</u>	<u>111,952</u>
Current and Other Liabilities	130,186	292,954	162,768
Long-term Liabilities	418,557	423,000	4,443
Total Liabilities	<u>548,743</u>	<u>715,954</u>	<u>167,211</u>
Net Assets:			
Invested in Capital Assets			
Net of Related Debt	3,262,081	2,782,593	479,488
Restricted	45,456	-	45,456
Unrestricted	535,059	780,839	(245,780)
Total Net Assets	<u>\$ 3,842,596</u>	<u>\$ 3,563,432</u>	<u>\$ 279,164</u>

TOWN OF ST. JOSEPH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

Government-wide Financial Analysis (cont.)

The \$136,865 unrestricted net assets in the governmental funds are comprised mostly of cash. This represents approximately four months operating capital.

Governmental activities

Governmental activities decreased the Town of St. Joseph's net assets by \$38,332. The following reflects the condensed Statement of Activities for the year ended June 30, 2005.

**Town of St. Joseph's Changes in Net Assets
June 30, 2005**

	Governmental	Business-Type	Total
Revenues:			
Program Revenues:			
Charges for services	\$ 74,842	\$ 598,581	\$ 673,423
Operating grants and contributions	121,683	-	121,683
Capital grants and contributions	15,700	492,675	508,375
General Revenue:			
Ad valorem taxes	27,686	-	27,686
Sales tax	78,249	-	78,249
License and permits	70,496	-	70,496
Other general revenue	35,582	51,002	86,584
Total Revenue	<u>424,238</u>	<u>1,142,258</u>	<u>1,566,496</u>
Expenses:			
General government	79,679	-	79,679
Public safety	125,951	-	125,951
Public works	126,869	-	126,869
Culture and recreation	26,568	-	26,568
Health and welfare	102,115	-	102,115
Utility fund	-	826,150	826,150
Total Expenses	<u>461,182</u>	<u>826,150</u>	<u>1,287,332</u>
Increase (decrease) in Assets before Transfers	(36,944)	316,108	279,164
Transfers	<u>(1,388)</u>	<u>1,388</u>	<u>-</u>
Net Increase (decrease) in Assets	<u>\$ (38,332)</u>	<u>\$ 317,496</u>	<u>\$ 279,164</u>

Expenses are classified by functions. General government accounted for approximately \$80,000 in expenses or 17% of total expenses. Public safety, Public works, and Health and welfare accounted for 27%, 28%, and 29% of the expenses respectively.

Sales tax revenue, which provided \$78,249 of revenue, was the largest source of revenue for the Town. Licenses and permits were second at \$70,496.

TOWN OF ST. JOSEPH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

Governmental activities (cont.)

Business-type activities

Business-type activities increased the Town of St. Joseph's net assets by approximately \$288,700. The following are the key elements of this increase:

Grant proceeds for construction of a new water treatment plant totaling \$ 492,675 was received in the current year.

Operating expenses (including depreciation) exceeded operating revenues by \$227,569, resulting in a net decrease in assets from operations.

Financial Analysis of the Government's Funds

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

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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of St. Joseph's governmental funds reported combined ending fund balances of \$136,865, and a decrease of \$18,988, when compared with the prior year. All of this total fund balance constitutes unreserved fund balance, which is available for spending at the Town's discretion.

The general fund is the chief operating fund of the Town of St. Joseph. At the end of the current fiscal year, fund balance of the general fund was \$97,377, all of which is unreserved.

General Fund Budgetary Highlights

In accordance with Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA - R.S. 39:1301 et seq), the Town must adopt a budget for the General Fund and all Special Revenue funds prior to June 30. The original budget for the Town was adopted on June 30, 2004. The general fund was amended June 13, 2005.

During the year ended June 30, 2005, the budgets were used as a management tool and the required amendments and monitoring required by the law was adhered to.

TOWN OF ST. JOSEPH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

Capital Assets and Debt Administration

Capital assets

The Town of St. Joseph's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounted to \$3,435,521 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment.

The following is a summary of the Town's capital assets:

	<u>Governmental</u>	<u>Business- Type</u>	<u>Total</u>
Nondepreciable assets:			
Land	\$ 43,915	\$ 7,886	\$ 51,801
Depreciable assets:			
Building	437,590	-	437,590
Equipment	542,796	-	542,796
Water system	-	2,633,047	2,633,047
Gas system	-	730,463	730,463
Sewer system	-	1,922,531	1,922,531
Service equipment	-	232,978	232,978
Office equipment	-	23,117	23,117
Wireless communication equipment	-	14,658	14,658
Total Capital Assets	<u>1,024,301</u>	<u>5,564,680</u>	<u>6,588,981</u>
Less Accumulated Depreciation	<u>(687,768)</u>	<u>(2,465,692)</u>	<u>(3,153,460)</u>
Net Capital Assets	<u>\$ 336,533</u>	<u>\$ 3,098,988</u>	<u>\$ 3,435,521</u>

Major capital asset events during the current fiscal year included the following:

Expenditures of \$400,546 on construction of a new water treatment plant.

A \$20,901 purchase of a Police car.

Long-term Debt

The Town of St. Joseph had one long-term debt at June 30, 2005. This was a \$423,000 revenue bond dated January 26, 2004; due in monthly installments of \$1,599 through January 26, 2044 with interest at 3.25%. The proceeds of these bonds were used to construct a new water treatment plant.

Requests for Information

This financial report is designed to provide a general overview of the Town of St. Joseph's finances

for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to Mayor Edward Brown, Town of St. Joseph; P.O. Box 217; St. Joseph, LA 71366.

BASIC FINANCIAL STATEMENTS

TOWN OF ST. JOSEPH
ST. JOSEPH, LOUISIANA
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 116,705	\$ 356,749	\$ 473,454
Receivables	25,088	67,209	92,297
Due from other governmental units	24,723	-	24,723
Prepaid expense	14,307	8,433	22,740
Restricted Assets:			
Cash	-	97,487	97,487
Capital assets, net	336,533	3,098,988	3,435,521
Bond issuance cost, net	-	9,201	9,201
Investment in jointly owned gas operation and maintenance fund	-	210,916	210,916
Prepaid expenses - noncurrent	-	25,000	25,000
Total Assets	\$ 517,356	\$ 3,873,983	\$ 4,391,339
Liabilities			
Accounts payable and accrued expenses	31,396	41,494	72,890
Internal balances	9,511	(9,511)	-
Accrued payroll and benefits	3,051	5,278	8,329
Deposits held	-	46,687	46,687
Long-term liabilities:			
Due within one year	-	2,280	2,280
Due in more than one year	-	418,557	418,557
Total Liabilities	43,958	504,785	548,743
Net Assets			
Invested in capital assets, net of related debt	336,533	2,925,548	3,262,081
Restricted	-	45,456	45,456
Unrestricted	136,865	398,194	535,059
Total Net Assets	\$ 473,398	\$ 3,369,198	\$ 3,842,596

The accompanying notes are an integral part of these financial statements.

TOWN OF ST. JOSEPH
ST. JOSEPH, LOUISIANA
STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2005

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities							
General government	\$ 79,679	\$ -	\$ 12,500	\$ -	\$ (67,179)	\$ -	\$ (67,179)
Public safety	125,951	-	7,800	15,700	(102,451)	-	(102,451)
Public works	126,869	55,632	-	-	(71,237)	-	(71,237)
Culture and recreation	26,568	4,810	-	-	(21,758)	-	(21,758)
Health and Welfare	102,115	14,400	101,383	-	13,668	-	13,668
Total governmental activities	461,182	74,842	121,683	15,700	(248,957)	-	(248,957)
Business-type activity:							
Utility fund	826,150	598,581	-	492,675	-	265,106	265,106
Total Primary government	\$ 1,287,332	\$ 673,423	\$ 121,683	\$ 508,375	\$ (248,957)	\$ 265,106	\$ 16,149
General revenues							
Taxes:							
Ad valorem taxes					27,686	-	27,686
Sales taxes					78,249	-	78,249
Other taxes					1,583	-	1,583
Video poker					6,455	-	6,455
License and permits					70,496	-	70,496
Fines and forfeitures					1,928	-	1,928
Use of money and property					4,727	7,878	12,605
Other revenues					13,889	3,062	16,951
Income from jointly owned gas operations and maintenance fund					-	40,062	40,062
Grants					7,000	-	7,000
Interfund transfers					(1,388)	1,388	-
Total general revenues					210,625	52,390	263,015
Change in net assets					(38,332)	317,496	279,164
Net Assets at beginning of year					511,730	3,051,702	3,563,432
Net Assets at end of year					\$ 473,398	\$ 3,369,198	\$ 3,842,596

The accompanying notes are an integral part of these financial statements.

TOWN OF ST. JOSEPH
ST. JOSEPH, LOUISIANA
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2005

	Major Funds		Other Governmental Funds	Total
	General Fund	Prevention Education		
Assets				
Cash and cash equivalents	\$ 79,910	\$ 1,370	\$ 35,425	\$ 116,705
Receivables:				
Sales tax	7,014	-	-	7,014
Other	17,174	900	-	18,074
Due from other governmental units	7,000	17,723	-	24,723
Prepaid expense	14,307	-	-	14,307
Due from other funds	2,489	-	-	2,489
Total Assets	\$ 127,894	\$ 19,993	\$ 35,425	\$ 183,312
Liabilities and Fund Equity				
Liabilities:				
Accounts payable and accrued expenses	\$ 21,781	\$ 9,615	-	\$ 31,396
Accrued payroll and benefits	1,736	1,315	-	3,051
Due to other funds	7,000	5,000	-	12,000
Total Liabilities	30,517	15,930	-	46,447
Fund Equity:				
Fund balance				
Unreserved/undesignated	97,377	4,063	35,425	136,865
Total Fund Balance	97,377	4,063	35,425	136,865
Total Liabilities and Fund Equity	\$ 127,894	\$ 19,993	\$ 35,425	\$ 183,312

The accompanying notes are an integral part of these financial statements.

TOWN OF ST. JOSEPH
ST. JOSEPH, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Fund balances - total governmental funds		\$ 136,865
<i>Amounts reported for governmental activities are not financial resources, and are not reported in the governmental funds:</i>		
Governmental capital assets	\$ 1,024,301	
Less: accumulated depreciation	<u>687,768</u>	<u>336,533</u>
Net assets of governmental funds		<u>\$ 473,398</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ST. JOSEPH
ST. JOSEPH, LOUISIANA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2005

	Major Funds		Other	Total
	General Fund	Prevention Education	Governmental Funds	
Revenues				
Taxes:				
Ad valorem	\$ 27,686	-	-	\$ 27,686
Sales	78,249	-	-	78,249
Charges for services	55,632	-	-	55,632
License, permits, and commission for services	70,496	-	-	70,496
Intergovernmental :				
Federal	15,700	101,383	-	117,083
State	22,837	-	-	22,837
Local	12,500	-	-	12,500
Fines and forfeitures	1,928	-	-	1,928
Use of money and property	19,556	-	4,382	23,938
Other revenues	13,889	-	-	13,889
Total Revenues	318,473	101,383	4,382	424,238
Expenditures				
Current:				
General government	67,985	-	-	67,985
Public safety	118,194	-	-	118,194
Public works	106,775	-	-	106,775
Culture and recreation	26,568	-	-	26,568
Health and welfare	-	101,383	-	101,383
Capital outlay	20,933	-	-	20,933
Total Expenditures	340,455	101,383	-	441,838
Excess (Deficiency) of Revenues	(21,982)	-	4,382	(17,600)
Other Financing Sources (Uses)				
Transfers in	-	-	1,741	1,741
Transfers out	(3,129)	-	-	(3,129)
Total Other Financing Sources (Uses)	(3,129)	-	1,741	(1,388)
Excess of Revenues over Expenditures	(25,111)	-	6,123	(18,988)
Fund balance at beginning of year	122,488	4,063	29,302	155,853
Fund balance at end of year	\$ 97,377	\$ 4,063	\$ 35,425	\$ 136,865

The accompanying notes are an integral part of these financial statements.

TOWN OF ST. JOSEPH
 ST. JOSEPH, LOUISIANA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
 FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2005

Net change in fund balances- governmental funds \$ (18,988)

Amount reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 20,933	
Depreciation expense	(40,277)	(19,344)

Change in net assets of governmental activities \$ (38,332)

The accompanying notes are an integral part of these financial statements.

TOWN OF ST. JOSEPH
ST. JOSEPH, LOUISIANA
BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Utility Fund
Assets	
Current Assets:	
Cash and cash equivalents	\$ 356,749
Accounts receivable - net	67,209
Prepaid expenses	8,433
Due from other funds	12,000
Total Current Assets	444,391
Noncurrent Assets:	
Restricted cash and cash equivalents	97,487
Capital assets	
Depreciable:	
Property, plant and equipment - net	3,091,102
Land	7,886
Bond issuance cost - net	9,201
Invested in jointly owned gas operations and maintenance fund	210,916
Prepaid lease expense	25,000
Total Noncurrent Assets	3,441,592
Total Assets	\$ 3,885,983
Liabilities and Net Assets	
Current Liabilities:	
Accounts payable and accrued expenses	\$ 38,430
Accrued payroll and benefits	5,278
Due to other funds	2,489
Total Current Liabilities	46,197
Liabilities payable from restricted assets:	
Customer deposits	46,687
Revenue bonds payable	2,280
Utility payments	3,064
Total liabilities payable from restricted assets	52,031
Noncurrent Liabilities:	
Revenue bonds payable	418,557
Total Liabilities	516,785
Net Assets	
Invested in capital assets, net of related debt	2,925,548
Restricted	45,456
Unrestricted	398,194
Total Net Assets	\$ 3,369,198

The accompanying notes are an integral part of these financial statements.

TOWN OF ST. JOSEPH
ST. JOSEPH, LOUISIANA
BUSINESS-TYPE ACTIVITY - ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

	Utility Fund
Operating Revenues	
Water sales	\$ 220,425
Gas sales	345,077
Sewerage fees	18,823
Penalties	14,256
Other operating revenues	3,062
Total Operating Revenues	601,643
Operating Expenses	
Water expense	138,021
Gas expense	361,760
Sewer expense	34,760
Wireless communications expense	53,749
Depreciation	152,473
Salaries and related benefits	13,417
Data processing	6,162
Professional fees	24,402
Bad debts and returned checks	11,661
Repair and supplies	11,107
Office expense	8,661
Total Operating Expenses	816,173
Operating Loss	(214,530)
Non-Operating Revenues (Expenses)	
Grants	492,675
Interest income	7,878
Income from jointly owned gas line	40,062
Amortization of bond issuance cost	(116)
Interest expense	(9,861)
Total Non-Operating Revenue (Expense)	530,638
Income (loss) before Contributions and Transfers	316,108
Transfer from other funds	1,388
Change in Net Assets	317,496
Net Assets - beginning of year	3,051,702
Net Assets - end of year	\$ 3,369,198

The accompanying notes are an integral part of these financial statements.

TOWN OF ST. JOSEPH
ST. JOSEPH, LOUISIANA
BUSINESS-TYPE ACTIVITY - ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005

Cash flows from operating activities	
Cash received from customers	\$ 586,330
Cash paid for employee services	(132,724)
Cash payments to suppliers for goods and services	(501,517)
Net cash provided (used) by operating activities	<u>(47,911)</u>
Cash flows from capital and related financing activities	
Interfund transfers	(9,511)
Grant received for acquisition of capital assets	544,538
Payment on construction of new water plant	(544,807)
Acquisition of capital assets	(1,201)
Net cash provided (used) by financing activities	<u>(10,981)</u>
Cash flows from investing activities	
Payment on Revenue bonds	(17,752)
Interest received on investments	7,878
Net cash provided by investing activities	<u>(9,874)</u>
Net increase (decrease) in cash and cash equivalents	(68,766)
Cash and cash equivalents, beginning of year	<u>523,002</u>
Cash and cash equivalents, end of year	<u>\$ 454,236</u>
Shown on the accompanying balance sheet as	
Current Assets	
Cash and cash equivalents	356,749
Restricted assets:	
Cash	<u>97,487</u>
Total	<u>\$ 454,236</u>
Supplemental disclosure of noncash capital investing activities:	
Increase in the investment of the jointly owned gas operations and maintenance fund	<u>\$ 40,062</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ST. JOSEPH
ST. JOSEPH, LOUISIANA
BUSINESS-TYPE ACTIVITY - ENTERPRISE FUND
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED JUNE 30, 2005

**Reconciliation of operating income (loss) to net cash
provided (used) by operating activities**

Operating Income (loss)	\$ (214,530)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation	152,473
Increase in accounts receivable	(7,887)
Decrease in prepaid expense	36,832
Increase in accounts payable and accrued expense	(12,649)
Decrease in accrued payroll and benefits	(3,321)
Increase in customer deposits	1,171
	<hr/>
Net cash provided (used) by operating activities	<u>\$ (47,911)</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

Note 1 - Summary of Significant Accounting Policies

A. Financial Reporting Entity

The accompanying financial statements include all funds and account groups of the Town of St. Joseph, Louisiana (The Town). The accompanying financial statements of the Town have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Town consists of an executive branch of government headed by a mayor and a legislative branch of government consisting of five aldermen. The Town's major operations include police and fire protection, street and drain maintenance, garbage and trash collection and administrative services. The Town also operates a Utilities Enterprise Fund to provide gas, sewerage and water services.

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

GASB Statement No. 14 established criteria for determining which component units should be considered part of the Town for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is accountability. These criteria include:

1. Appointing a voting majority of an organization's governing body and the ability of the Town to impose its will on that organization and/or the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town.
2. Organizations for which the Town does not appoint a voting majority but are fiscally dependent on the Town.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature and significance of the relationship.

Based on the foregoing criteria, the Town does not have any component units to be reported.

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

The following is a summary of certain significant accounting policies and practices:

B. Basis of Accounting

The Town's basic financial statements consist of the government-wide statements on all activities of the government and the fund statements (individual major funds and combined non-major funds). The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units.

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities for all activities of the government. As a general rule, the effect of interfund activity has been removed from these statements. The government-wide presentation focuses primarily on the sustainability of the Town as an entity and the change in the aggregate financial position resulting from the activities of the fiscal period.

Governmental Activities represent programs which normally are supported by taxes and intergovernmental revenues.

Business-type Activities are financed in whole or in part by fees charged to external parties for goods and services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 in program revenues are reported instead as general revenues. This includes dedicated resources such as a restricted property tax.

The Town uses funds, both major and non-major, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities. A fund is a separate accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenue and expenditures or expenses, as appropriate.

Emphasis of fund reporting is on the major fund level in either the governmental or business-type categories. Non-major funds (by category) or fund types are summarized into a single column in the basic financial statements.

Funds are classified into three categories; governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types". Governmental funds are used to account for a government's general activities, where the focus of attention is on the provision of services to the public as opposed to proprietary funds where the focus of attention is on recovering the cost of providing services to the public or other agencies through service charges or user fees. Fiduciary funds are used to account for assets held for others. The Town's current operations require the use of the governmental and proprietary categories. The fund types used by the Town are described as follows:

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

B. Basis of Accounting (cont.)

Fund Financial Statements

Governmental activities presented as Governmental Funds in the fund financial statements:

General Fund - This fund is the general operating fund of the Town. It is used to account for all financial resources of the Town except for those required to be accounted in another fund.

Special Revenue Fund - This fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Business-type activities as Enterprise Funds in the fund financial statements:

Enterprise Funds - These funds are used to account for operations (a) that financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes. Enterprise funds are presented in the business-type activities column in the government-wide financial statements and the major funds section of the basic financial statements.

In accordance with the provisions of GASB Statement No. 20, the Town has elected not to apply FASB statements and interpretations issued after November 30, 1989, to proprietary activities unless they are adopted by the GASB.

Revenues:

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October of each year and are actually billed to the taxpayer in November. Billed taxes become delinquent on December 31. Revenues from ad valorem taxes are budgeted in the year billed to the extent of collections expected. The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of Tensas Parish.

Sales taxes are considered "measurable" when in the hands of the intermediary collecting governments and are recognized as revenues at that time.

Interest earnings on time deposits are recognized as revenue when the time deposits have matured and the interest is available. Substantially all other revenues are recognized when actually received by the Town.

Expenditures:

Expenditures in the governmental funds are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

B. Basis of Accounting (cont.)

Fund Financial Statements (cont.)

Proprietary Funds:

The Proprietary Fund is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for the proprietary fund are charges to customers for utility services. Principal operating expenses are the costs of providing these services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

The Town charged the following rates for water, sewer, and gas during the year:

Water rates:

- a. Customers inside the City limits of St. Joseph, Louisiana are charged \$10.50 for the first 2,000 gallons and \$2.00 for each additional 1,000 gallons or fraction thereof.
- b. Customers outside the city limits of St. Joseph, Louisiana are charged \$21.00 for the first 2,000 gallons and \$4.00 for each additional 1,000 gallons or fraction thereof.

Sewer rates - \$2.50 per month.

Gas rates charged to customers in the year ended June 30, 2005, ranged from \$11.00 to \$13.00 for each 1,000 cubic feet of gas used or fraction thereof.

C. Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in these financial statements.

1. The proposed budget is submitted by the Town Clerk and the Mayor to the Board of Aldermen prior to July of the ensuing year. Notice of the location and availability of the proposed budget for the public inspection and the date of the public hearing to be conducted on the budget is then advertised in the official journal of the Town at least 15 days prior to the date of the hearing.
2. After the public hearing, the budget is adopted by passing an ordinance approving the budget at the selected June board meeting.
3. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Board of Aldermen.

TOWN OF ST. JOSEPH, LOUISIANA
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2005

C. Budgets and Budgetary Accounting (cont.)

4. All legally adopted budgets of the Town are adopted on a basis consistent with GAAP. A budget is adopted for the General Fund and the Special Revenue Funds; encumbrance accounting is not used by the Town.

D. Cash, Cash Equivalents, and Investments

Under state law, the Town may deposit in demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or national banks having their principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the LAMP, a non-profit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates as a local government investment pool.

At June 30, 2005, the Town had cash and cash equivalents totaling \$570,941 as follows:

Petty Cash	\$	100
Demand Deposits		310,427
LAMP Deposits		260,414
Total	\$	<u>570,941</u>

These deposits are stated at cost, which approximates market value. Under state law, these deposits (or resulting bank balances) must be secured by federal deposit insurance or pledged securities owned by the fiscal agent bank. The market value of pledged securities plus 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. Cash and cash equivalents (bank balances other than these backed by the U.S. government) at June 30, 2005, are secured, as follows:

Bank Balances	\$	<u>336,999</u>
Federal deposit insurance	\$	239,802
Pledged securities		97,197
Total	\$	<u>336,999</u>

TOWN OF ST. JOSEPH, LOUISIANA
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2005

D. Cash, Cash Equivalents, and Investments (cont.)

Because the pledged securities are held by the Town's agent in the Town's name they are considered collateralized (Category 1) under the provisions of GASB Codification C20.106. In accordance with GASB Codification 150.165 the investment in LAMP at June 30, 2005 is not categorized in the three risk categories provided by the GASB 150.164 because the investment is in a pool of funds and, therefore, not evidenced by securities that exist in physical or book entry form. Only local governments that have contracted to participate have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The portfolio includes only securities and other obligations in which local governments are authorized to invest. Accordingly, investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

For the purpose of the Statement of Cash Flows, cash equivalents include all highly liquid investments (including restricted assets) with a maturity date of three months or less when purchased.

E. Interfund Receivables and Payables

Short-term cash loans between funds are considered temporary in nature. These amounts are reported as "due from/due to other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Interfund balances as of June 30, 2005, are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Interfund</u>	<u>Payable</u>
Major Fund:			
General Fund	\$ 2,489		\$ 7,000
Prevention Education Fund			5,000
 Enterprise Fund			
	<u>12,000</u>		<u>2,489</u>
	<u>\$ 14,489</u>		<u>\$ 14,489</u>

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

F. Capital Assets

Under GASB Statement No. 34, capital assets, which include buildings, other improvements, machinery and equipment, vehicles, and furniture and fixtures, are reported and depreciated in the applicable government or business-type activities column of the governmental-wide financial statements. No long-term capital assets or depreciation are shown in the governmental fund statements.

As permitted by GASB Statement No.34, the Town has elected not to capitalize infrastructure assets retroactively such as: streets, sidewalks, drainage and street lighting.

All purchased capital assets are recorded at cost where historical records are available and at estimated cost where no historical records are available. Donated capital assets are valued at fair market value at date of gift. Major additions are capitalized while maintenance and repairs that do not improve or extend the life of the respective assets are charged to expense. Interest is capitalized on funds used during construction of projects acquired with bond funds.

Capital assets are depreciated over the estimated useful lives of the assets using the straight-line method. Estimated useful lives are as follows (in years):

Buildings	26 to 40 years
Water System	30 to 40 years
Sewerage System	40 years
Gas Transmission and Distribution System	40 years
Office Equipment	3 to 10 years
Equipment	3 to 20 years
Vehicles	5 years

G. Debt Issuance Cost

Debt issuance cost in the amount of \$9,201 is included in noncurrent assets. Debt issuance cost is amortized over the life of the related debt issuance using the straight-line method.

H. Long-term Liabilities

In the government-wide statement of net assets and in the proprietary fund type financial statements, long-term debt is reported as liabilities.

I. Bad Debts

Uncollectible amounts for ad valorem taxes are generally not significant. As a result, the direct write-off method for recognizing bad debts is used. Under this method, the receivable is charged to expense when the account is deemed to be uncollectible. The Town uses the allowance method for recognizing bad debts for customers' utility receivables. An allowance of \$141,500 is recorded as of June 30, 2005.

TOWN OF ST. JOSEPH, LOUISIANA
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2005

J. Compensated Absences

Vacation time is accrued based on the number of years in service. It must be used before the end of the year and cannot be carried over. Sick time is accrued at an annual rate of 80 hours per year and cannot be carried over from year to year. Employees are not paid overtime but are given compensatory time equal to the amount that would have been due for the overtime worked and will be paid for any unused compensation at the time of termination.

K. Net Assets

Net Assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvement of those assets.

L. Restricted Net Assets

Net assets are reported as restricted when there are limitations imposed on their use by external parties such as creditors, grantors, laws or regulations of other governments. As of June 30, 2005 restricted net assets in the proprietary fund totaling \$97,487 consisted of cash restricted for meter deposits and cash restricted for water system improvements.

M. Transfers In and Out

Advances between funds which are not expected to be repaid are accounted for as operating transfers.

Interfund operating transfers in and out during the year ended June 30, 2005, were as follows:

<u>Fund</u>	<u>Operating Transfers</u>	
	<u>In</u>	<u>Out</u>
Major Fund:		
General Fund	\$ -	\$ 3,129
Enterprise Fund	1,388	-
Non-Major Fund:		
Downtown Revitalization Fund	<u>1,741</u>	<u>-</u>
	<u>\$ 3,129</u>	<u>\$ 3,129</u>

TOWN OF ST. JOSEPH, LOUISIANA
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2005

N. Use of Estimates

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

Note 2 - Receivables

Receivables of \$117,020 as of June 30, 2005 are comprised of the following:

Fund Type	Franchise		Inter-		Total
	Fees	Accounts	Governmental	Other	
General	\$ 7,448	\$ 85	\$ 39,403	\$ 2,875	\$ 49,811
Proprietary	-	133,709	-	75,000	208,709
Less Allowance for Doubtful					
Accounts	-	(66,500)	-	(75,000)	(141,500)
Total	<u>\$ 7,448</u>	<u>\$ 67,294</u>	<u>\$ 39,403</u>	<u>\$ 2,875</u>	<u>\$ 117,020</u>

The Town has 606 water and sewer customers. They also serve 503 gas customers. An aging of the utility receivables as of June 30, 2005 is as follows:

	Water	Gas	Sewer	Other	Total
Current	\$ 28,012	\$ 15,334	\$ 2,311	\$ 3,105	\$ 48,762
31-60 days	7,346	12,865	848	523	21,582
61-90 days	2,180	6,609	254	285	9,328
91-120 days	2,627	9,115	358	141	12,241
Over 120 days	14,124	23,503	1,705	2,464	41,796
Total	<u>\$ 54,289</u>	<u>\$ 67,426</u>	<u>\$ 5,476</u>	<u>\$ 6,518</u>	<u>\$ 133,709</u>

Note 3 - Ad Valorem Taxes

Property taxes are levied by the Town in September or October each year and are actually billed to the taxpayers in November. Property taxes become due and are attached as an enforceable lien on property as of December 31. Billed taxes become delinquent on January 1 of the year following the year in which the taxes are due.

The Town bills and collects its own property taxes using the assessed value as determined by the tax assessor of Tensas Parish.

The ad valorem tax millage is as follows:

	<u>Mills</u>
General Ad Valorem Tax	6.70

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

Note 4 - Changes in Capital Assets

The changes in capital assets are as follows:

	Balance 6/30/2004	Additions	Retirements and Transfers	Balance 6/30/2005
Governmental activities:				
Nondepreciable assets:				
Land	\$ 43,915	-	-	\$ 43,915
Depreciable assets:				
Buildings	437,590	-	-	437,590
Equipment	521,863	20,933	-	542,796
Total capital assets	1,003,368	20,933	-	1,024,301
Less: accumulated depreciation	(647,491)	(40,277)	-	(687,768)
 Total governmental activities capital assets, net	 <u>\$ 355,877</u>	 <u>\$ (19,344)</u>	 <u>-</u>	 <u>\$ 336,533</u>
 Business-type activities:				
Nondepreciable assets:				
Land	\$ 7,886	-	-	\$ 7,886
Depreciable assets:				
Water System	1,381,929	1,251,118	-	2,633,047
Gas System	730,463	-	-	730,463
Sewer System	1,922,531	-	-	1,922,531
Service equipment	232,978	-	-	232,978
Office equipment	21,917	1,200	-	23,117
Wireless communication equipment	14,658	-	-	14,658
Total capital assets	4,312,362	1,252,318	-	5,564,680
Less: accumulated depreciation	(2,313,219)	(152,473)	-	(2,465,692)
Construction in process	850,572	400,546	(1,251,118)	-
 Total business-type capital assets, net	 <u>\$ 2,849,715</u>	 <u>\$ 1,500,391</u>	 <u>\$ (1,251,118)</u>	 <u>\$ 3,098,988</u>

The Town, in accordance with their policy of not capitalizing infrastructure assets retroactively, has eliminated \$158,074 of street improvements reported in prior years.

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

Note 4 - Changes in Capital Assets (cont.)

Depreciation of \$152,473 as of June 30, 2005 was charged to expense in the utility fund. Depreciation charged to governmental activities is as follows:

General government	\$ 11,694
Public safety	7,757
Public works	20,094
Health and welfare	<u>732</u>
 Total	 <u><u>\$ 40,277</u></u>

Note 5 - Pension and Retirement Plans

Municipal Employees' Retirement System of Louisiana (MERS)

Substantially all Town employees, except policemen, are members of the MERS, a multiple-employer, cost-sharing, public employee retirement system (PERS), controlled and administered by a separate board of trustees. The MERS is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All participants of the Town are covered by Plan A.

All full-time Town employees and elected officials are eligible to participate in the system. Under the plan provisions, a member who retires at or after age 60 with at least 10 years of creditable service, at or after age 55 with 25 years of creditable service, or at any age with at least 30 years of creditable service is entitled to a retirement benefit, payable monthly for life, equal to 3% of the member's final compensation multiplied by his years of creditable service.

Funding Policy. Contributions to the system include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of the parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of members on which contributions were made for the previous fiscal year. State statute requires covered employees to contribute a percentage of their salaries to the system. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the MERS for the years ended June 30, 2005, 2004, and 2003 were \$17,884, \$16,369, and \$9,270, respectively, equal to the statutorily required contributions for each year.

The MERS issues an annual, publicly available financial report that includes financial statements and required supplementary information for the retirement system. The report may be obtained by writing the Municipal Employees' Retirement System, 6750 Van Gogh, Baton Rouge, LA 70806 or by calling (225) 925-4810.

TOWN OF ST. JOSEPH, LOUISIANA
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2005

Note 6 - Long-Term Debt

The following is a summary of long-term debt transactions for the year ended June 30, 2005.

Balance beginning of year	\$423,000
Additions	-
Retirements	<u>2,163</u>
Balance end of year	<u>\$420,837</u>

Bonds payable at June 30, 2005 is comprised of the following issue:

Utilities Enterprise Fund:

Revenue Bonds:

\$423,000 revenue bonds dated January 26, 2004; due in monthly installments of \$1,599 through January 26, 2044; interest at 3.25%.

\$ 420,837

Maturities of long-term obligations of the Town including interest of \$322,184 are as follows:

Fiscal Year Ended June 30,	Amount
2006	\$ 19,187
2007	19,187
2008	19,187
2009	19,187
2010 - 2015	95,935
2016 - 2020	95,935
2021 - 2025	95,935
2026 - 2030	95,935
2031 - 2035	95,935
2036 - 2040	95,935
2040 - 2044	<u>83,232</u>
	<u>\$735,590</u>

TOWN OF ST. JOSEPH, LOUISIANA
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2005

Note 7 - Intergovernmental Agreement - Gas Transmission and Distribution Operations

The Town of St. Joseph, Louisiana owns jointly with the Town of Newellton, Louisiana, a gas pipeline, which transports natural gas to the Towns. The jointly owned line is operated independently of the Towns. The carrying value of the investment is recorded on the equity method. The annual net income is added to the investment and cash withdrawals, and net losses are deducted from the investment value. A summary of the balance sheet of the Town of Newellton and St. Joseph, Louisiana Jointly Owned Gas Line as of June 30, 2005 is as follows:

Assets

Cash	\$ 392,949
Investments	22,098
Accounts Receivable	<u>20,131</u>
Total Assets	<u>\$ 435,178</u>

Liabilities and Fund Equity

Liabilities:

Accounts payable	13,183
Customer deposits	<u>163</u>
Total Liabilities	<u>13,346</u>

Fund Equity:

Town's Equity	<u>421,832</u>
---------------	----------------

Total Liabilities and Fund Equity	<u>\$ 435,178</u>
-----------------------------------	-------------------

Audited financial statements of this joint venture are available at the Town of St. Joseph, Louisiana Town Hall.

Note 8 - Related Party Transactions

The Town purchases its natural gas from the Towns of Newellton and St. Joseph Jointly Owned Gas Operations and Maintenance Fund (The Joint Line) of which the Town is a fifty percent owner. During 2005, the Town made \$249,699 of gas purchases and owed the Joint Line \$5,966 at June 30, 2005.

Note 9 - Risk Financing Activities

The Town is a participating member in the Louisiana Risk Management Agency's Group Self-Insurance Fund for Municipal Liability Risk Sharing and Group Self-Insurance Fund for Workman's Compensation and Employer Liability (the Agency). The Agency functions as a Public Entity Risk Pool formed to pool the risk of public liability exposure to its members. The Town insures its law enforcement officers' comprehensive liability and errors and omissions risk through its participation in the Agency pools. The coverage provided by the pools is subject to \$1,000 deductibles for certain coverages and provides coverages up to \$500,000 for each type of insured risk. Premiums for coverage are retroactively rated based on experience and premiums are calculated based on the ultimate cost of the experience to date of the pool participants.

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

Note 10 - Commitments and Contingencies

The Town completed the construction of a water plant during the year ended June 30, 2005. As of June 30, 2005, the Town spent \$1,251,118 in the construction of the water plant.

During the prior year, the Town canceled its contracts with Hummingbird Wireless of Louisiana, Inc. for the providing of wireless internet service to St. Joseph, Louisiana and surrounding areas. This contract called for the Town to lease three towers to be constructed by Hummingbird Wireless of Louisiana. The total amount invested by the Town in these leases was \$175,000. At the time of the cancellation of the contract only one tower was constructed. The contract provided that the Town could terminate the agreement at anytime without cause. It further stated that if the contract was terminated the Town would be released from the remaining term of the lease agreement and the funds invested by the Town would be returned to the Town less any revenues retained by them. If the remaining balance was less than \$100,000, Hummingbird Wireless of Louisiana, Inc. would provide the Town with a promissory note for the principal balance remaining at a 10% interest rate payable over 36 months. If the remaining balance was greater than \$100,000, they would provide the Town with a promissory note bearing 10% interest payable over 60 months. At June 30, 2005 the Town had not received the promissory note from Hummingbird Wireless of Louisiana, Inc. Subsequent to the year ended June 30, 2004, the Town authorized the Mayor, through their attorney to file suit for the return of the Town's investment in the form of a 36 month promissory note and the transfer of all equipment and revenues to the Town. As of June 30, 2005 the suit had not been filed.

At June 30, 2005, the \$75,000 invested for the lease of the two towers that have not been built was reclassified to receivables and an allowance for bad debts of \$75,000 was provided to offset the receivable.

Note 11 - Federal Awards

The Town received a grant of \$110,912 from the Louisiana Department of Health and Hospitals to provide youth between the ages of 12 to 17 and their families with research-based interventions which address identified risk and protective factors that work toward the prevention/education of addictive disorders and other risky behaviors. This grant was passed-through from the United States Department of Health and Human Resources' Consolidated Knowledge Development and Application Program, CFDA #92.230.

REQUIRED SUPPLEMENTAL INFORMATION
(PART B)

TOWN OF ST. JOSEPH
ST. JOSEPH, LOUISIANA
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		Actual	Variance
	Original Budget	Final Budget	Amounts (Budgetary Basis)	Favorable (Unfavorable)
Revenues				
Taxes, Licenses, etc.	\$ 210,500	\$ 221,081	\$ 232,063	\$ 10,982
Intergovernmental Revenue	37,000	62,487	51,037	(11,450)
Other Revenues	38,700	29,600	35,373	5,773
Total Revenues	<u>286,200</u>	<u>313,168</u>	<u>318,473</u>	<u>5,305</u>
Transfers In	<u>24,000</u>	<u>12,500</u>	<u>-</u>	<u>(12,500)</u>
Total Revenues and Transfers	<u>310,200</u>	<u>325,668</u>	<u>318,473</u>	<u>(7,195)</u>
Expenditures				
Current:				
General Government:				
Administration	147,530	83,935	94,553	(10,618)
Public Safety				
Police Department	77,000	137,576	117,979	19,597
Fire Department	2,500	214	215	(1)
Public Works				
Streets and Sanitation	61,100	75,866	79,263	(3,397)
Garbage Department	15,650	27,489	27,512	(23)
Capital Outlay	-	-	20,933	(20,933)
Total Expenditures	<u>303,780</u>	<u>325,080</u>	<u>340,455</u>	<u>(15,375)</u>
Transfer Out	<u>-</u>	<u>-</u>	<u>3,129</u>	<u>(3,129)</u>
Total Expenditures and Transfers	<u>303,780</u>	<u>325,080</u>	<u>343,584</u>	<u>(18,504)</u>
Excess (Deficiency) of Revenues Over Expenditures (GAAP Basis)	6,420	588	(25,111)	(25,699)
Fund Balance - Beginning	<u>122,488</u>	<u>122,488</u>	<u>122,488</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 128,908</u>	<u>\$ 123,076</u>	<u>\$ 97,377</u>	<u>\$ (25,699)</u>

TOWN OF ST. JOSEPH
ST. JOSEPH, LOUISIANA
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
PREVENTION EDUCATION
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental revenue	\$ 110,912	\$ 101,383	\$ (9,529)
Expenditures			
Current:			
Health & welfare			
Personnel services and related benefits	45,380	42,470	2,910
Travel	3,920	2,828	1,092
Operating services	19,700	20,162	(462)
Supplies	8,750	10,223	(1,473)
Professional services	31,700	25,700	6,000
Capital outlay	1,462	-	1,462
Total Charges	110,912	101,383	9,529
Excess Receipts Over Expenditures	-	-	-
Fund Balance - Beginning	4,063	4,063	-
Fund Balance - Ending	\$ 4,063	\$ 4,063	\$ -

SUPPLEMENTARY INFORMATION

TOWN OF ST. JOSEPH
ST. JOSEPH, LOUISIANA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2005

	Special Revenue Funds		Total Non-major Governmental Funds
	Downtown Revitalization	Lake Bruin	
Assets			
Cash and cash equivalents	\$ 17,333	\$ 18,092	\$ 35,425
Total Assets	<u>\$ 17,333</u>	<u>\$ 18,092</u>	<u>\$ 35,425</u>
Liabilities and Fund Balance			
Liabilities	-	-	-
Fund Balance			
Unreserved/undesignated	17,333	18,092	35,425
Total Liabilities and Fund Balance	<u>\$ 17,333</u>	<u>\$ 18,092</u>	<u>\$ 35,425</u>

TOWN OF ST. JOSEPH
ST. JOSEPH, LOUISIANA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005

	Special Revenue Funds		Total Non-major Governmental Funds
	Downtown Revitalization	Lake Bruin	
Revenues			
Use of Property and Money	\$ 4,382	-	\$ 4,382
Expenditures	-	-	-
Excess of Revenues Over Expenditures	4,382	-	4,382
Other Financing Sources (Uses)			
Transfers In	1,741	-	1,741
Excess of Revenues and Other Financing Sources Over Expenditures	6,123	-	6,123
Fund Balance, beginning of year	11,210	18,092	29,302
Fund Balance, end of year	<u>\$ 17,333</u>	<u>\$ 18,092</u>	<u>\$ 35,425</u>

TOWN OF ST. JOSEPH
ST. JOSEPH, LOUISIANA
SCHEDULE OF COMPENSATION PAID TO ALDERMEN
FOR THE YEAR ENDED JUNE 30, 2005

Theodore Jackson	\$ 750
Diane Yarrington	750
Thelma Bradford	750
Jimmy S. Clark	1,500
Jack Grace, Jr.	1,500
A. E. Tindell	1,500
Herman Watson	<u>750</u>
Total	<u>\$ 7,500</u>

REPORTS REQUIRED BY GOVERNMENT
AUDITING STANDARDS

THE HALFORD FIRM, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

Members
American Institute of
Certified Public Accountants

Mississippi Society of
Certified Public Accountants

Louisiana Society of
Certified Public Accountants

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

Mayor Edward Brown and
Board of Aldermen
Town of St. Joseph
St. Joseph, Louisiana

We have audited the financial statements of the Town of St. Joseph as of and for the year ended June 30, 2005, and have issued our report thereon dated January 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town of St. Joseph's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Town of St. Joseph's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as item 05-05.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of St. Joseph's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on noncompliance with those provisions was not the objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 05-01, 05-02, 05-03, and 05-04.

This report is intended solely for the information of management of the Town of St. Joseph and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

The Hartford Firm, PLLC

Vicksburg, Mississippi
January 6, 2006

**TOWN OF ST. JOSEPH
SCHEDULE OF FINDINGS
JUNE 30, 2005**

05-01 – Failure to Report on a Timely Basis

Finding:

Louisiana Revised Statute 24:513 requires all audit engagements to be completed and transmitted to the Legislative Auditor within six months of the close of the Town's fiscal year end. Accordingly, the Town's audit report for the year ended June 30, 2005 was due to the Legislative Auditor by December 31, 2005.

The Town's accounting records were not complete enough for an audit to be performed within the required time.

Recommendation:

We recommend that the Town maintain accurate and complete accounting records to facilitate a timely audit in accordance with Revised Statute 24:513.

Management's Corrective Action Plan:

The Town uses a computerized system network to maintain accounting records, which along with the city hall building was severely damaged during Hurricane Rita. Recovery from this catastrophe and retrieval of automated accounting files took approximately one month to complete and delayed start of field work by more than 30 days. Currently, we are reviewing and implementing disaster recovery procedures to ensure system automation can be brought back online within two days and this should prevent untimely audits in the future.

05-02 - Insufficient Effort to Collect Delinquent Utility Accounts

Finding:

The Town is not following its policy for collecting delinquent accounts. Continuing to provide services after the cut-off date and not actively trying to collect delinquent utility accounts is prohibited by Louisiana's constitution (Article VII, Section 14(A) of the Louisiana Constitution of 1974). In addition, the continued operation and quality of service provided to customers depends on the town collecting for the services it provides.

Recommendation:

We recommend that the Town adhere to its utility service and collection policies. Failure to comply with these procedures is not only a violation of the Louisiana constitution, but also could potentially jeopardize fiscal viability of the Town's utility services.

Management's Response:

The current Ordinance allows Aldermen to grant payment extensions to customers in their districts, which was mainly done to spread out payments over time in order to help them deal with the high cost of natural gas. Should a customer fail to make payment in accordance with the payment extension agreement, they are disconnected and their account is forwarded to a collections agency after one month. Plans are being made to garnish customer's wages if they fail to pay after the period established by the court.

**TOWN OF ST. JOSEPH
SCHEDULE OF FINDINGS
JUNE 30, 2005**

05-03 – Failure to Deposit Funds into Sinking Fund

Finding:

During the fiscal year ended June 30, 2004, the Town issued revenue bonds in the amount of \$423,000. The bond document requires that the Town establish a reserve fund and a contingency fund and deposit \$80 per month into each fund. We noted that the sinking fund deposits had not been made by the Town in violation of the bond covenant.

Recommendation:

We recommend that the administration of the Town review the requirements of the bond covenant and make the monthly deposits as required.

Management's Corrective Action Plan:

We made the first deposit of \$80.00 into the sinking fund but erroneously made them into the contingency fund afterwards. We agree with the Auditor's finding and have transferred the correct amount of funds into the appropriate account. We have established procedures that automatically transfer \$80.00 into each fund monthly.

05-04 Failure to Adhere to Utility Billing Rate Ordinances

Finding:

During our audit we noted that the Town was not consistently following its established rate structure for water usage.

Recommendation:

We recommend that the Town adhere to its established utility rate structure to ensure continued fiscal viability of the Town's utility services.

Management's Corrective Action Plan:

We agree with the auditor's finding that the Ordinance requires, without exception, that all customers outside the town corporate limits shall be billed twice the rate of those customers inside the corporate limits. One customer was being billed at a reduced rate and we corrected this item February 1, 2006.

**TOWN OF ST. JOSEPH
SCHEDULE OF FINDINGS
JUNE 30, 2005**

05-05 Inadequate Monitoring of Grant Programs

Finding:

During our audit we noted that the Town requested reimbursements that were not adequately supported by backup documentation. This resulted in the Town receiving excess grant funds that had to be refunded to the State of Louisiana.

Recommendation:

We recommend that the Town establish policies and procedures to adequately monitor grant program expenditures and related reimbursements.

Management's Corrective Action Plan:

In the future, all grant program requests for reimbursement shall be signed by the Mayor indicating management's review and approval before they are submitted to State agencies for reimbursement. The Director of Grant Programs will report to the Mayor and Board of Aldermen at each regular monthly meeting the status of program expenditures and reimbursements and fulfilling overall program goals and objectives as well.

**TOWN OF ST. JOSEPH
STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2005**

The following is a summary of the status of the prior year findings included in the auditor's report dated March 15, 2005 covering the examination of the financial statements of the Town of St. Joseph as of and for the year ended June 30, 2004 and the management letter comments.

04-01

Finding: The Town failed to comply with Louisiana Revised Statute 24:513 which requires all audit engagements to be completed and transmitted within six months of the close of the town's fiscal year.

Status: This finding was not resolved by June 30, 2005.

04-02

Finding: The Town failed to deposit funds into a sinking fund in accordance with their revenue bond covenant.

Status: While sinking fund deposits were made during fiscal year 2005 to cover fiscal year 2004 requirements, the Town did not continue to make these deposits during 2005.

04-03

Finding: The Mayor of the Town of St. Joseph used the town's credit card for personal expenses in violation of Article 7, Section 14 of the Louisiana State Constitution.

Status: This finding was resolved by June 30, 2005. No additional personal expenses were incurred by any employee using the Town's credit card during fiscal year 2005.

04-04

Finding: The Town did not issue a Form 1099 for personal services rendered by an individual.

Status: This finding was resolved as of June 30, 2005.

04-05

Finding: The Town did not comply with the Local Government Budgeting Act.

Status: This finding was resolved as of June 30, 2005.

04-06

Finding: The Town did not pay their employees time and one-half hour for overtime worked.

Status: This finding was resolved as of June 30, 2005.

**TOWN OF ST. JOSEPH
STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2005**

04-07

Finding: The Town's books and records had significant problems which made it difficult for the Town to produce financial statements and reports in an accurate and timely manner.

Status: This finding has been resolved as of June 30, 2005.

04-08

Finding: The Town failed to have sixteen cash disbursements approved by the Board of Aldermen finance committee before issuing payment.

Status: This issue has been resolved as of June 30, 2005. In our testing of cash disbursements, we noted that 100% of the disbursements were approved by the Board of Aldermen finance committee.

Management Letter

Finding: The Town's written policies and procedures are not complete.

Status: This issue was not completely resolved as of June 30, 2005. The Town has made significant progress in this area but it will take more than one year to resolve this issue.