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TOWN OF ST. JOSEPH, LOUISIANA

**GENERAL PURPOSES FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
JUNE 30, 2002**

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 1/29/03

TOWN OF ST. JOSEPH, LOUISIANA
FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002

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TOWN OF ST. JOSEPH, LOUISIANA
FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002

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Luffey
Huffman
& Monroe

(A Professional Accounting Corporation)

CERTIFIED PUBLIC ACCOUNTANTS

Francis I. Huffman, CPA
L. Fred Monroe, CPA
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John L. Luffey, MBA, CPA (1963-2002)

INDEPENDENT AUDITORS' REPORT

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

We were engaged to audit the general-purpose financial statements of the Town of St. Joseph, Louisiana (the Town) as of June 30, 2002 and for the year then ended as listed in accompanying Table of Contents. These general-purpose financial statements are the responsibility of the Town's management.

We were unable to obtain financial information from the Town's accounting records sufficient to allow us to express an opinion on the Town's general purpose financial statements, nor were we able to satisfy ourselves as to those financial activities by other auditing means.

Because of the inadequacies of the books and records of the Town, the scope of our work was insufficient to enable us to express, and we do not express, an opinion on the Town's general-purpose financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2002 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this reported in considering the results of our procedures.

We were engaged to audit the general purpose financial statements for the purpose of forming an opinion on those statements taken as a whole. The accompanying information listed as Schedules in the accompanying Table of Contents is presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Town. As discussed in the second paragraph above, the scope of our work was not sufficient to enable us to express an opinion on the general purpose financial statements. Similarly, we are unable to express, and do not express, and opinion on the accompanying information listed as Schedules as listed in the Table of Contents.

(A Professional Accounting Corporation)

December 20, 2002

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MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

GENERAL PURPOSE FINANCIAL STATEMENTS

TOWN OF ST. JOSEPH, LOUISIANA
COMBINED BALANCE SHEET - ALL FUND TYPES
AND ACCOUNT GROUPS
JUNE 30, 2002

	Governmental Fund Types				Proprietary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Capital Projects	Debt Service		Enterprise	General		Long-Term Debt
							Fixed Assets		
ASSETS									
Cash	\$ 174,505	\$ 1,863	\$ -	\$ 30,673	\$ 364,857	\$ -	\$ -	\$ 571,898	
Investments	-	-	-	-	246,539	-	-	246,539	
Accounts receivable - net	6,203	-	-	-	80,786	-	-	86,989	
Due from other governments	4,646	-	-	-	-	-	-	4,646	
Due from other funds	4,581	-	-	-	6,421	-	-	11,002	
Restricted assets:									
Cash	-	-	-	-	36,697	-	-	36,697	
Property, plant, and equipment	-	-	-	-	4,202,241	1,073,133	-	5,275,374	
Accumulated Depreciation	-	-	-	-	(2,064,664)	-	-	(2,064,664)	
Investment in jointly owed gas line	-	-	-	-	142,216	-	-	142,216	
Available in debt service	-	-	-	-	-	-	30,673	30,673	
Amount to be provided for general long-term debt	-	-	-	-	-	-	32,100	32,100	
TOTAL ASSETS	\$ 189,935	\$ 1,863	\$ -	\$ 30,673	\$ 3,015,093	\$ 1,073,133	\$ 62,773	\$ 4,373,470	

(Continued)

TOWN OF ST. JOSEPH, LOUISIANA
COMBINED BALANCE SHEET - ALL FUND TYPES
AND ACCOUNT GROUPS (CONCLUDED)
JUNE 30, 2002

	Governmental Fund Types				Proprietary Fund Type	Account Groups			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Debt Service		General Fixed Assets	General		
							Long-Term Debt		
LIABILITIES AND FUND EQUITY									
Liabilities									
Accounts payable	\$ 13,868	\$ -	\$ -	\$ -	\$ 9,755	\$ -	\$ -	\$ -	\$ 23,623
Accrued payroll and benefits	1,375	-	-	-	5,223	-	-	-	6,598
Accrued liabilities	-	-	-	-	1,698	-	-	-	1,698
Due to other funds	6,421	1,741	-	-	2,840	-	-	-	11,002
Payable from restricted assets:									
Customer deposits	-	-	-	-	61,825	-	-	-	61,825
Notes Payable	-	-	-	-	-	59,841	-	-	59,841
Compensated absences	-	-	-	-	-	2,932	-	-	2,932
Total liabilities	21,664	1,741	-	-	81,341	-	62,773	-	167,519
Fund Equity									
Contributed Capital	-	-	-	-	3,374,883	-	-	-	3,374,883
Investment in general fixed assets	-	-	-	-	-	1,073,133	-	-	1,073,133
Retained earnings - unrestricted	-	-	-	-	(441,131)	-	-	-	(441,131)
Fund Balances:									
Reserved for debt service	-	-	-	30,673	-	-	-	-	30,673
Unrestricted	168,271	122	-	-	-	-	-	-	168,393
Total fund balance	168,271	122	-	30,673	2,933,752	1,073,133	-	-	4,205,951
TOTAL LIABILITIES AND FUND BALANCE	\$ 189,935	\$ 1,863	\$ -	\$ 30,673	\$ 3,015,093	\$ 1,073,133	\$ 62,773	\$ -	\$ 4,373,470

The accompanying notes are an integral part of this statement

TOWN OF ST. JOSEPH, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>
REVENUES					
Taxes - Ad valorem	\$ 24,812	\$ -	\$ -	\$ -	\$ 24,812
Taxes - Sales and use	68,136	-	-	-	68,136
Licenses and permits	35,674	-	-	-	35,674
Intergovernmental - Federal	-	17,159	26,539	-	43,698
Intergovernmental - State	8,884	-	-	-	8,884
Intergovernmental - Local	42,180	-	-	-	42,180
Fees, charges, and commissions for services	52,375	-	-	-	52,375
Fines and penalties	2,901	-	-	-	2,901
Rent and interest income	1,365	-	-	13,590	14,955
Other revenue	37,769	1,863	-	-	39,632
Total revenues	<u>274,096</u>	<u>19,022</u>	<u>26,539</u>	<u>13,590</u>	<u>333,247</u>
EXPENDITURES					
Current:					
General Government	90,043	-	-	-	90,043
Public Safety:					
Police department	68,289	-	-	-	68,289
Fire department	2,323	-	-	-	2,323
Public works	79,993	-	-	-	79,993
Culture and recreation	2,103	-	-	-	2,103
Economic Development	-	18,900	-	-	18,900
Capital Outlay	3,475	-	27,726	-	31,201
Debt Service:					
Principal	-	-	-	7,593	7,593
Interest	-	-	-	5,441	5,441
Total Expenditures	<u>246,226</u>	<u>18,900</u>	<u>27,726</u>	<u>13,034</u>	<u>305,886</u>
Excess (Deficiency) of Revenues Over Expenditures	27,870	122	(1,187)	556	27,361
Other Financing Sources (Uses)					
Operating transfers in	2,760	-	-	-	2,760
Operating transfers out	(5,033)	-	-	-	(5,033)
Total Other Financing Sources (Uses)	<u>(2,273)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,273)</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	25,597	122	(1,187)	556	25,088
Fund Balance at beginning of year	<u>142,674</u>	<u>-</u>	<u>1,187</u>	<u>30,117</u>	<u>173,978</u>
FUND BALANCE AT END OF YEAR	<u>\$ 168,271</u>	<u>\$ 122</u>	<u>\$ -</u>	<u>\$ 30,673</u>	<u>\$ 199,066</u>

The accompanying notes are an integral part of this statement

TOWN OF ST. JOSEPH, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2002

	General Fund			Special Revenue Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes						
Ad valorem	\$ 23,000	\$ 24,812	\$ 1,812	\$ -	\$ -	\$ -
Sales and use	81,000	68,136	(12,864)	-	-	-
Licenses and permits	48,100	35,674	(12,426)	-	-	-
Intergovernmental						
Federal	-	-	-	-	17,159	17,159
State	15,900	8,884	(7,016)	-	-	-
Local	38,500	42,180	3,680	-	-	-
Fees, charges, and commissions for services	38,100	52,375	14,275	-	-	-
Fines and penalties	1,000	2,901	1,901	-	-	-
Rent and interest income	4,100	1,365	(2,735)	-	-	-
Other revenue	15,100	37,769	22,669	-	1,863	1,863
Total revenues	<u>264,800</u>	<u>274,096</u>	<u>9,296</u>	<u>-</u>	<u>19,022</u>	<u>19,022</u>
EXPENDITURES						
Current:						
General Government	68,775	90,043	(21,268)	-	-	-
Public Safety:						
Police department	65,900	68,289	(2,389)	-	-	-
Fire department	450	2,323	(1,873)	-	-	-
Public works	82,600	79,993	2,607	-	-	-
Culture and recreation	-	2,103	(2,103)	-	-	-
Economic Development	-	-	-	-	18,900	(18,900)
Capital Outlay	10,000	3,475	6,525	-	-	-
Total Expenditures	<u>227,725</u>	<u>246,226</u>	<u>(18,501)</u>	<u>-</u>	<u>18,900</u>	<u>(18,900)</u>
Excess (Deficiency) of Revenues Over Expenditures	37,075	27,870	(9,205)	-	122	122
Other Financing Sources (Uses)						
Operating transfers in	-	2,760	2,760	-	-	-
Operating transfers out	(10,000)	(5,033)	4,967	-	-	-
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>(2,273)</u>	<u>7,727</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	27,075	25,597	(1,478)	-	122	122
Fund Balance at beginning of year	<u>142,674</u>	<u>142,674</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 169,749</u>	<u>\$ 168,271</u>	<u>\$ (1,478)</u>	<u>\$ -</u>	<u>\$ 122</u>	<u>\$ 122</u>

The accompanying notes are an integral part of this statement

TOWN OF ST. JOSEPH, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN ACCUMULATED DEFICIT - UTILITY ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2002

Operating Revenues:	
Sewer Fees	\$ 19,187
Water Fees	189,517
Gas Sales	338,684
Penalties	17,376
Other revenues	4,465
Total Operating Revenues	<u>569,229</u>
Operating Expenses:	
Sewer department	9,992
Water department	99,158
Gas department	256,871
General and administrative	199,695
Total Operating Expenses	<u>565,716</u>
Operating income	3,513
Nonoperating revenues	
Interest earned	12,007
Income from jointly owned gas line	89,462
Total nonoperating revenue	<u>101,469</u>
Income before operating transfers	104,982
Operating Transfers:	
Transfers in	5,033
Transfers Out	<u>(2,760)</u>
Total Operating Transfers	2,273
Net Income	107,255
Retained Deficit Beginning of Year	<u>(548,386)</u>
RETAINED DEFICIT END OF YEAR	<u><u>\$ (441,131)</u></u>

The accompanying notes are an integral part of this statement

TOWN OF ST. JOSEPH, LOUISIANA
STATEMENT OF CASH FLOWS - UTILITY ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2002

CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income	\$ 3,513
Adjustments to reconcile operating income to net cash provided:	
Depreciation	119,925
Changes in assets and liabilities	
Accounts receivable	(42,257)
Due from other funds	(6,421)
Accounts payable	(8,890)
Accrued payroll and benefits	5,223
Accrued liabilities	1,697
Due to other funds	2,840
Total adjustments	<u>72,117</u>
Net cash provided by operations	<u>75,630</u>

CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES

Operating transfers from general fund	2,274
Increase in customer deposits	<u>7,962</u>
Net cash provided by noncapital financing activities	<u>10,236</u>

CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of property, plant and equipment	<u>(6,579)</u>
Net cash used by capital and related financing activities	<u>(6,579)</u>

CASH USED BY INVESTING ACTIVITIES

Increase in certificate of deposit	(56,740)
Interest received	<u>12,007</u>
Net cash used by investing activities	<u>(44,733)</u>

INCREASE IN CASH

34,554

CASH BEGINNING OF YEAR

367,000

CASH END OF YEAR

\$ 401,554

SHOWN ON ACCOMPANY COMBINED BALANCE SHEETS AS:

Cash	\$ 364,857
Restricted Assets:	
Cash	<u>36,697</u>
TOTAL	<u>\$ 401,554</u>

The accompanying notes are an integral part of this statement

**TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

NOTE 1 – Summary of Significant Accounting Policies

FINANCIAL REPORTING ENTITY/BASIS OF PRESENTATION

The accompanying financial statements include all funds and account groups of the Town of St. Joseph, Louisiana (the Town). The accompanying general purpose 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 entity 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
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002

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

A. *Fund Accounting*

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into the various fund types and account groups as follows:

GOVERNMENTAL FUNDS

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

Special Revenue Fund – account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds - The Debt Service Funds are used to account for resources accumulated to pay principal and interest on general long-term obligations.

Capital Project Fund - The Capital Project Fund are used to account for financial resources to be used for the acquisition or construction of major capital facilities, improvements and other major projects (other than those financed by Proprietary Funds).

PROPRIETARY FUND

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are 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 appropriate for capital maintenance, public policy, management control, accountability or other purposes. In accordance with GASB Statement 20, the Town has elected not to apply Financial Accounting Standards Board statements and interpretations issued after November 30, 1989 to its proprietary activities unless they are adopted by the GASB.

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002

ACCOUNT GROUPS

General Fixed Assets Account Group

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public Domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

General Long-Term Debt Account Group

The general long-term debt account group (GLTDAG) is used to account for the government's unmatured long-term indebtedness that has not been identified as a specific fund liability of a proprietary or trust fund. Besides general obligation debt instruments such as bonds and notes, the GLTDAG is used, if applicable, to report certain liabilities such as long-term capital lease agreements and compensated absences.

B. Total Column on Combined Statements - Overview

Total columns on the Combined Statements - Overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

C. Basis of Accounting

Basis of accounting refers to the point at which revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002

current period or soon enough thereafter to be used to pay liabilities of the current period. Ad valorem taxes, sales taxes, grants and fees, charges and commissions for services have been treated as susceptible to accrual.

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

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.

D. 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 1 of the ensuing year. Notice of the location and availability of the proposed budget for 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.
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.
4. All legally adopted budgets of the Town are adopted on a basis consistent with GAAP. A budget is adopted for the General Fund; encumbrance accounting is not used by the Town.

E. Investments

Investments (consisting of certificates of deposit) are stated at amortized cost, which approximates market value. For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

F. Fixed Assets

The accounting and reporting treatment applied to the fixed assets associated with a particular fund is determined by the fund's measurement focus.

**TOWN OF ST. JOSEPH, LOUISIANA
 NOTES TO THE FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

Fixed assets of the enterprise fund are recorded at cost, if purchased, and at fair market value at date of gift, if donated. Major additions are capitalized while maintenance and repairs that do not improve or extend the life of the respective assets are charged to expense. Contributions received in aid of construction are credited to contribution accounts and do not reduce the cost of the assets acquired with such contributions. Interest is capitalized on funds used during construction of projects acquired with bond funds. No interest was capitalized during the year ended June 30, 2002.

Depreciation of all exhaustible fixed assets used by the enterprise fund is charged as an expense against its operations. Accumulated depreciation is reported in the proprietary fund balance sheet. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. Estimated useful lives are as follows (in years):

Water System	30 to 40 years
Sewerage System	40 years
Gas Transmission and Distribution System	40 years
Office Equipment	3 to 10 years

G. Long-Term Liabilities

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds. Long-term liabilities expected to be financed from enterprise fund operations are accounted for in the enterprise fund.

H. 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 \$62,500 is recorded as of June 30, 2002.

I. Compensated Absences

The Town did not pay overtime in prior years. In order to comply with the Department of Labor, they have given their employees compensated time equal to the amount that would have been due for the overtime not paid. Consequently, the financial statements of the Town reflect a liability of \$5,315 for compensated absences.

**TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

J. Reserves and Designations of Fund Equity

Some portion of fund balance and/or retained earnings are reserved to indicate that a portion of fund equity is legally restricted to a specific future use and is not available for appropriation or expenditure.

Designated portions of fund balance indicate tentative future spending plans, which may be changed and are subject to subsequent authorization before expenditures can be made.

K. Due From Other Funds

Amounts designated as "due from other funds" are considered "available spendable resources".

L. 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.

M. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* which will dramatically affect the Town of St. Joseph's financial statements. The Town of St. Joseph is required to implement Statement No. 34 for the year ended June 30, 2004.

Note 2 - Cash and Deposits

Statutes require the Town to invest surplus cash balances in obligations of the United States Treasury, time certificates of deposit, and any other federally-insured investments.

The Town has \$634,495 in deposits (collected bank balances) as of June 30, 2002, of which \$200,000 was secured from risk by federal deposit insurance (GASB 3 - Category 1). The balance of \$434,495 of the deposits was collateralized with securities held by the financial institution in the name of the Town (GASB 3 - Category 2).

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002

Note 3 - Accounts Receivable

Receivables are primarily composed of amounts due from residential customers of the Town for utilities services. Accounts receivable of \$91,635 as of June 30, 2002 are comprised of the following:

<u>Fund Type</u>	<u>Fees</u>	<u>Accounts</u>	<u>Governmental</u>	<u>Other</u>	<u>Total</u>
General	\$ 5,870	\$ -	\$ 4,646	\$ 333	\$ 10,849
Proprietary	-	142,896	-	390	143,286
Less Allowance for Doubtful Accounts	-	(62,500)	-	-	(62,500)
Total	\$ 5,870	\$ 80,396	\$ 4,646	\$ 723	\$ 91,635

Note 4 - 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 January 1 of the following year. 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	6.62

Note 5 - Fixed Assets

The changes in general fixed assets follows:

	<u>Balance</u> <u>06/30/01</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>06/30/02</u>
Land	\$ 65,605	\$ -	\$ -	\$ 65,605
Buildings	410,552	-	-	410,552
Other				
Improvements	158,074	-	-	158,074
Equipment	435,427	3,475	-	438,902
Total	\$ 1,069,658	\$ 3,475	\$ -	\$ 1,073,133

**TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

A summary of proprietary fund type property, plant and equipment at June 30, 2002, is as follows:

Office Equipment	\$	16,348
Water System		1,381,928
Gas System		730,463
Sewer System		1,922,531
Service Equipment		143,083
Total		4,194,355
Less: Accumulated Depreciation		(2,064,664)
Net Depreciable Assets		2,129,691
Land		7,886
Total Proprietary Fund Type Property, Plant and Equipment	\$	2,137,577

Depreciation of \$119,925 as of June 30, 2002 was charged to expense in the utility fund.

Note 7 - 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 Town 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 per cent 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

**TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

MERS for the years ended June 30, 2002 and 2001 were \$7,041 and \$8,131, 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.

The Municipal Police Employees Retirement System covers the policemen of the Town. As of June 30, 2002 the Town did not have any policemen covered by the plan.

Note 8 - Long-Term Debt

The following is a summary of long-term debt for the year ended June 30, 2002:

Note Payable at June 30, 2001	\$	67,434
Principal Retired		<u>(7,593)</u>
 Note Payable at June 30, 2002	 \$	 <u><u>59,841</u></u>

The note payable consisted of a note to a commercial bank for payment of a loan on a medical office. The liability is payable at 8% due in quarterly installments of \$3,259.

The annual requirements to amortize the debt outstanding at June 30, 2002 is as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2003	\$ 8,245	\$ 4,789	\$ 13,034
June 30, 2004	8,905	4,129	13,034
June 30, 2005	9,617	3,417	13,034
June 30, 2006	10,386	2,648	13,034
June 30, 2007	11,217	1,817	13,034
Thereafter	<u>11,471</u>	<u>1,546</u>	<u>13,017</u>
 Total	 <u>\$ 59,841</u>	 <u>\$ 18,346</u>	 <u>\$ 78,187</u>

**TOWN OF ST. JOSEPH, LOUISIANA
 NOTES TO THE FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

Note 9 - Interfund Activities

Individual fund receivables and payables and transfers in and out as of and for the year ended June 30, 2002, are as follows:

Fund	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 4,581	\$ 6,421
Utility Enterprise Fund	6,421	2,840
Special Revenue Fund	-	1,741
TOTAL	<u>\$ 11,002</u>	<u>\$ 11,002</u>

	<u>Operating Transfers</u>	
	<u>In</u>	<u>Out</u>
General Fund	\$ 2,760	\$ 5,033
Utility Enterprise Fund	5,033	2,760
TOTAL	<u>\$ 7,793</u>	<u>\$ 7,793</u>

Note 10 - 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 investment is recorded at the equity value of the investment. 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 is as follows:

**TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

ASSETS

Cash	\$ 221,915
Investments	61,943
Account Receivable	<u>9,793</u>
TOTAL ASSETS	<u>\$ 293,651</u>

LIABILITIES AND FUND EQUITY

Liabilities:

Accounts payable	\$ 8,265
Accrued liabilities	792
Customer deposits	<u>163</u>
Total Liabilities	9,220

Fund Equity:

Town's Equity	<u>284,431</u>
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TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 293,651</u>
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Audited financial statements of this joint venture are available at the Town of St. Joseph, Louisiana Town Hall.

Note 11 - 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 Workmen'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.

Supplementary Information

TOWN OF ST. JOSEPH, LOUISIANA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
COUNCIL LEVEL OF CONTROL
FOR THE YEAR ENDED JUNE 30, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>Unfavorable</u>
REVENUES			
Taxes			
Ad valorem	\$ 23,000	\$ 24,812	\$ 1,812
Sales and use	81,000	68,136	(12,864)
Licenses and permits	48,100	35,674	(12,426)
Intergovernmental			
Federal	-	-	-
State	15,900	8,884	(7,016)
Local	38,500	42,180	3,680
Fees, charges, and commissions for services	38,100	52,375	14,275
Fines and penalties	1,000	2,901	1,901
Rent and interest income	4,100	1,365	(2,735)
Other revenue	15,100	37,769	22,669
Total revenues	<u>264,800</u>	<u>274,096</u>	<u>9,296</u>
EXPENDITURES			
General government			
Mayor's salary	-	2,700	(2,700)
Mayor's expenses	-	1,463	(1,463)
Aldermen salaries	7,500	7,500	-
Group Insurance	15,000	24,442	(9,442)
Insurance	18,000	12,912	5,088
Retirement	3,000	5,473	(2,473)
Building repairs	-	898	(898)
Office expense	3,100	2,044	1,056
Advertising	-	1,422	(1,422)
Legal and auditing	5,000	7,035	(2,035)
Payroll Taxes	7,000	10,317	(3,317)
Other Expenses	5,000	11,010	(6,010)
Miscellaneous	550	2,827	(2,277)
Total General government	<u>64,150</u>	<u>90,043</u>	<u>(25,893)</u>

(continued)

TOWN OF ST. JOSEPH, LOUISIANA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL (Continued)
COUNCIL LEVEL OF CONTROL
FOR THE YEAR ENDED JUNE 30, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>Unfavorable</u>
Public Safety			
Police Department			
Salaries	46,000	55,580	(9,580)
Supplies	3,000	2,970	30
Auto repairs	2,000	2,340	(340)
Utilities	900	917	(17)
Fuel	6,000	4,523	1,477
Training	-	75	(75)
Insurance	-	234	(234)
Other expense	8,000	1,649	6,351
Total Police department	<u>65,900</u>	<u>68,288</u>	<u>(2,388)</u>
Fire Department			
Salaries	450	-	450
Repairs	-	165	(165)
Utilities	-	535	(535)
Insurance	-	50	(50)
Other expense	-	1,573	(1,573)
Total Fire department	<u>450</u>	<u>2,323</u>	<u>(1,873)</u>
Total Public safety	<u>66,350</u>	<u>70,611</u>	<u>(4,261)</u>
Public Works			
Streets and Sanitation department			
Salaries	25,750	40,950	(15,200)
Supplies	5,000	289	4,711
Street lights	19,000	10,187	8,813
Equipment repairs	3,000	3,903	(903)
Fuel	-	1,406	(1,406)
Insurance	-	127	(127)
Other expenses	2,500	3,088	(588)
Total Street and Sanitation department	<u>55,250</u>	<u>59,950</u>	<u>(4,700)</u>

(continued)

TOWN OF ST. JOSEPH, LOUISIANA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL (Concluded)
COUNCIL LEVEL OF CONTROL
FOR THE YEAR ENDED JUNE 30, 2002

	Budget	Actual	Variance Favorable Unfavorable
Public Works (continued)			
Garbage department			
Salaries	15,500	16,920	(1,420)
Supplies	300	79	221
Repairs	4,000	809	3,191
Fuel	2,500	1,841	659
Insurance	-	114	(114)
Other	50	280	(230)
Garbage collection	5,000	-	5,000
Total Garbage department	27,350	20,043	7,307
Total Public Works	82,600	79,993	2,607
Culture and Recreation			
Community house repairs	2,000	99	1,901
Community house utilities	1,800	778	1,022
Community house supplies	75	1	74
Community house refunds	750	1,200	(450)
Parks and recreation	-	26	(26)
Total culture and recreation	4,625	2,104	2,521
Capital outlay	10,000	3,475	6,525
Total expenditures	227,725	246,226	(18,501)
Excess (deficiency) of revenues over expenditures	37,075	27,870	(9,205)
Other Financing Sources (Uses)			
Operating transfers in	-	2,760	2,760
Operating transfers out	(10,000)	(5,033)	4,967
Total other financing sources (uses)	(10,000)	(2,273)	7,727
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	27,075	25,597	(1,478)
Fund Balance at beginning of year	142,674	142,674	-
FUND BALANCE AT END OF YEAR	\$ 169,749	\$ 168,271	\$ (1,478)

TOWN OF ST. JOSEPH, LOUISIANA
SCHEDULE OF REVENUES, EXPENSE, AND CHANGES
IN ACCUMULATED DEFICIT - UTILITY ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2002

Operating Revenues:

Sewer Fees	\$ 19,187
Water Fees	189,517
Gas Sales	338,684
Penalties	17,376
Other revenues	4,465
Total Operating Revenues	<u>569,229</u>

Operating Expenses:

Sewer department	
Supplies	3,374
Utilities	4,711
Repairs	40
Laboratory Fees	1,435
Other Expenses	431
Total Sewer Department	<u>9,991</u>

Water department

Salaries	23,715
Supplies	49,085
Repairs	10,485
Utilities	13,604
Telephone	922
Insurance	136
Training	1,211
Total Water Department	<u>99,158</u>

Gas department

Salaries	256,871
Clerical salaries	43,996
Supplies	39,346
Utilities	3,390
Insurance	6,195
Repairs	383
Gas purchases	5,592
Fuel and oil	145,621
Drug testing	3,452
Equipment repair	661
Miscellaneous	1,533
Training	3,264
Total Gas Department	<u>3,438</u> 256,871

(continued)

TOWN OF ST. JOSEPH, LOUISIANA
SCHEDULE OF REVENUES, EXPENSE, AND CHANGES
IN ACCUMULATED DEFICIT - UTILITY ENTERPRISE FUND (Concluded)
FOR THE YEAR ENDED JUNE 30, 2002

General and administrative	
Group insurance	16,683
Retirement	1,568
Telephone	1,875
Insurance	6,946
Computer services	2,588
Meter reading	5,000
Advertising	107
Office supplies	3,239
Dues	2,789
Legal and auditing	7,188
Payroll taxes	10,374
Other expense	15,826
Postage	4,591
Miscellaneous	996
Depreciation	119,925
Total General and Administrative	<u>199,695</u>
Total Operating Expenses	565,715
Operating income	3,514
Nonoperating revenues	
Interest earned	12,007
Income from jointly owned gas line	89,462
Total nonoperating revenue	<u>101,469</u>
Income before operating transfres	104,983
Operating Transfers:	
Transfers in	5,033
Transfers Out	<u>(2,760)</u>
Total Operating Transfers	2,273
Net Income	107,256
Retained (Deficit) Beginning of Year	<u>(548,386)</u>
RETAINED (DEFICIT) END OF YEAR	<u>\$ (441,130)</u>

**TOWN OF ST. JOSEPH, LOUISIANA
SCHEDULE OF COMPENSATION PAID ALDERMEN
FOR THE YEAR ENDED JUNE 30, 2002**

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



Francis I. Huffman, CPA
L. Fred Monroe, CPA
Esther Atterberry, CPA

John L. Luffey, MBA, CPA (1963-2002)

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

**Town of St. Joseph
St. Joseph, Louisiana**

We were engaged to audit the general purpose financial statements of the **Town of St. Joseph, Louisiana** (the Town) as of and for the year ended June 30, 2002 and have issued our report thereon dated December 20, 2002. Except as noted in our report, in which we disclaim an opinion on the Town's financial statements, 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.

Compliance

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we did note an immaterial instance of noncompliance that we have reported in the Schedule of Findings as 02-02.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town's

**Town of St. Joseph
St. Joseph, Louisiana**

ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings as items 02-01, 02-02 and 02-03.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider items 02-01 and 02-03 to be material weaknesses.

This report is intended for the information of management of the Town, its oversight agency, other entities granting funds to the Town 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.



(A Professional Accounting Corporation)

December 20, 2002

**TOWN OF ST. JOSEPH, LOUISIANA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2002**

02-01 - State of Accounting and Reporting

Finding:

In performing our audit of the financial statements of the Town, we determined the Town could not produce financial statements and reports in an accurate and timely manner, both for purposes of external financial reporting and internal decision making.

Of major concern that we found was the lack of the separation of duties. There is no separation of incompatible duties between management and the accounting function. The Mayor does all of the accounting with the exception of making the daily deposits. He writes and signs the checks, post the general ledger and prepares the monthly financial statements to be given to the Board of Aldermen. This lack of separation of duties increases the potential for material misstatements and/or misappropriation of assets to occur and not be detected in a timely manner.

Other examples of items that indicate improvement is needed are as follows:

1. Bank reconciliations were not prepared during the year. The only reconciliation was a check reconciliation of the bank statements. If the cleared bank balance did not agree with the bank statement ending balance, then the accounting system would allow for an automatic adjustment to the bank book balance to bring the cleared bank balance into agreement with the ending bank statement balance.
2. Transactions were recorded in the wrong fund. A grant from the State of Louisiana for revitalization of the downtown was recorded as part of the General Fund instead of Special Revenue Fund. These funds are used to grant loans to business for improvements. The repayments of these loans generate additional funds that can be loaned to other business for revitalization. The Debt Service Fund and the General Long Term Debt Group were combined into one fund or not recorded at all.
3. Fund balances included transactions, which should have been, posted to current fiscal year operations. Receipts for rent on the building, which housed the St. Joseph Medical Center and interest income were posted to the fund balance of Debt Service instead of rent or interest income account. Also the interest payment on the debt was posted to fund balance instead of interest expense.
4. Deposits to the bank and transfers of funds were recorded twice. Other transactions were recorded in the wrong account. Transfers from the tax account to the General Fund operating account were recorded twice leaving a credit balance in the General fund tax account of approximately \$30,000. Payroll checks in the approximate amount of \$18,500 were posted to accounts payable in the Utility fund instead of the bank, thereby understating account payable and overstating the bank.

**TOWN OF ST. JOSEPH, LOUISIANA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2002**

5. Records of General Fixed Assets and fixed assets in proprietary activities were not reconciled to the general ledger control on anything more than an annual basis in connection with the independent audit.

The entries required to correct these and other matters in the accounting records indicates that supervisory review of account balances and timely reconciliations of balance sheet accounts is inadequate.

The situation of the lack of separation of duties and the problems in the accounting function increases the risk that decision making personnel may be provided with inaccurate or incomplete information used to carry out the day to day activities of the Town and for making long-term, strategic decisions. In addition, it increases the risk of misappropriation of assets and/or the risk of errors in amounts material to the Town's financial position and results of operations could occur and go undetected by employees in the normal course of performing their assigned functions.

Recommendation:

We recommend that qualified bookkeeping personnel be hired to maintain the Town's accounting records, instead of the Mayor, to provide the needed separation of duties between management and employees. Balance sheet accounts should be reconciled each month prior to the closing of the general ledger. Revenue and expenditure accounts should also be reviewed for obvious errors and omissions.

Management's Corrective Action Plan:

In response to the recommendation that qualified bookkeeping personnel be hired to maintain the Town's accounting records, we are presently training existing personnel to perform accounting functions currently performed by the Mayor. Such functions will include automated check writing, posting to the general ledger, accounts payable, payroll processing, preparing monthly statements, computer system security, etc. The Mayor will continue to sign checks and may perform account review and reconciliations thereby ensuring adequate separation of duties and supervision of personnel.

Regarding improper separation of duties, we were taking steps to improve this matter by purchasing additional computers and networking them as well as integrating our computerized accounting general ledger, accounts payable, invoice billing, accounts receivables, and payroll modules. The networked computer system will allow us to assign accounting functions and tasks for personnel in a way that strengthening existing internal controls.

To further enhance internal controls, the Municipal Clerk will reconcile monthly all balance sheet accounts before the general ledger is closed and review revenue and expenditure accounts for errors and omissions.

**TOWN OF ST. JOSEPH, LOUISIANA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2002**

Regarding the examples given where improvement is needed, we provide the following comments:

1. We will reconcile bank statement balances from the computerized check reconciliation system to the general ledger book balances each month.
2. As noted above, we will set up a Special Revenue Fund for monies received from the State of Louisiana for downtown revitalization.
3. We will record all transactions for the Debt Service Fund and Long Term Debt Group into the proper accounts and funds. The Board of Aldermen should adopt a resolution for paying off this debt thereby eliminating future interest expense or involvement by St. Joseph Medical Corporation personnel in the accounting process.
4. We will reconcile all bank statements to the general ledger to ensure each account accurately reflects associated transactions. To help control payroll processing, accounting, and reporting, we purchased the computerized payroll system module in April of this year, which will help ensure payroll transactions are recorded to the proper general ledger asset, liability and expenditure account.
5. We informed you that the independent auditor's workpaper schedules were the basis for General Fixed Assets and Fixed Assets in proprietary control accounts on the general ledger, which were not reconciled to property physically on hand. We have developed a list of existing assets, mainly furniture and equipment, and will reconcile this list (a subsidiary ledger) to the general ledger control accounts to include land and building. We will inform the Board of Aldermen of fixed assets not on hand and remove them from the ledgers.

Additionally, we have ask the computer software company about developing fixed assets software for integration into our existing accounting system software, but might purchase temporary software from other sources for our use until company software is developed.

02-02- Non-Compliance with Louisiana Local Budget Act

Finding:

The Local Governmental Budget Act provides, among other things, for the amendment of the budget when actual expenditures exceed budgeted amount by 5% or more and that a budget should be adopted for general fund and special revenue fund. For the year ended June 30, 2002 we noted the following violations of the Local Governmental Budget Act:

**TOWN OF ST. JOSEPH, LOUISIANA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2002**

1. The General Fund had actual expenditures in excess of budget amount of approximately \$18,500, or 8% variance to budget. This was created by increases in group insurance and payroll taxes.
2. The Town failed to adopt a budget for Downtown Redevelopment Special Revenue Fund. During the year the Town received a grant from the State of Louisiana for loans to business for economic improvement to the downtown area. When these funds were received, there was no budget prepared to show how the funds would be used.

Recommendation:

We recommend that Mayor and Board of Aldermen monitor the budgets and amend them as necessary. Also, we recommend that the Louisiana Governmental Budget Act be followed with the respect to special revenue funds.

Management's Corrective Action Plan:

As recommended, the Mayor and Board of Aldermen will maintain monthly financial statements that reflect actual expenditures and budgeted amounts. We will monitor these statements to keep expenditure variance with those limits established by State Law.

Also we will set up a Special Revenue Fund for Downtown Redevelopment as well as budget to show how these funds should be used..

02-03 Utility Accounts Receivable

Finding:

During our audit of the utility accounts receivable, we noted that accounts receivable control accounts did not agree with the subsidiary ledgers and the control accounts were not being reconciled to the subsidiary ledgers. The Town maintains their accounts receivable and customer deposits on billing software that is not a part of their general ledger accounting system. They record their accounts receivable, customer deposit, and utility revenue by journal entry. The billing system provides a listing of the aged accounts receivable and a list of the customer deposits outstanding. The Town is not using these reports to reconcile the control account to the subsidiary ledgers during the year. In prior years the subsidiary ledger was not maintained for corrections of billing errors and final bills. This has resulted in the control account and subsidiary ledger being out of balance. The Town has been working with the software vendor to get the subsidiary ledger to agree with the control account, but has not completed the process as of our audit.

**TOWN OF ST. JOSEPH, LOUISIANA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2002**

Recommendation:

The Town should proceed with working with the software vendor to get the control account and subsidiary ledgers to agree. Also once the control account and subsidiary ledger agrees, the account and ledger should be reconciled on a monthly basis.

Management's Corrective Action Plan:

As recommended, will continue working with our software vendor to get the more than three year old imbalance between the control account and the subsidiary ledgers to agree for our customers' utility accounts receivable. In addition, we plan with the next 30 days to integrate the utility accounts receivable billing system with the general ledger so that all activity for sales, collections, meter deposits, etc. automatically flows into the general ledger without manual intervention.

**TOWN OF ST. JOSEPH, LOUISIANA
SUMMARY STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002**

The following is a summary of the status of the following prior year findings included in the Switzer, Hopkins, & Mange, CPA'S audit report letter dated September 26, 2001 covering their examination of the general purposed financial statements of the Town of St. Joseph, Louisiana as of and for the year ended June 30, 2001.

2001-01 Segregation of Duties

Finding: We noted that the Town of St. Joseph does not have adequate segregation of duties in the accounting department.

Status: Our plan to improve internal controls by separating duties in the accounting department was delayed when the city hall building received significant structural damage. The damage to the building delayed our decision for purchasing computers and networking them. The additional computers will allow us to assign duties and responsibilities to existing personnel in a cost-effective way that improves internal control.

Last month, additional computers were purchased and networked and employees are being trained to carry out assigned tasks, which should take approximately two months to complete.

2001-2 Enterprise Fund Utility Cut-Off Policy

Finding: We noted that since January 1, 2001 the Town has abandoned the cutoff policy for utility customers delinquent on their payments for water, gas, sewer and garbage pick-up. The problem has resulted in an increase in the reserve for bad debts of \$60,000.

Status: The Town adopted Ordinance No. 01-01 August 2001 allowing the Mayor and Board of Aldermen to waive automatic cutoffs of utilities so long as a customer is making a bona fide effort to pay past due balances. We comply with this policy by obtaining Aldermen approval before extending payment periods.

2002-3 Bid Law Violation

Finding: The Town of St. Joseph purchased a backhoe in October 2000 costing \$23,000. Public bids were not obtained for this purchase.

Status: To ensure we comply with Louisiana Public Bid Laws, the advice from legal counsel or the town's certified public accountant regarding dollar limits or other requirements before purchases are made.

**TOWN OF ST. JOSEPH, LOUISIANA
SUMMARY STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002**

2001-4 Violation of Budget Act

Finding: The Town of St. Joseph violated the Local Government Budget Act in regard to the General Fund

Status: We will continue our efforts to prepare accurate financial statements and monitor them to ensure we do not exceed budget limits established by the Louisiana Law.