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**TOWN OF ST. JOSEPH, LOUISIANA**  
**FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

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 4-13-05

**TOWN OF ST. JOSEPH, LOUISIANA**  
**FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

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**TOWN OF ST. JOSEPH, LOUISIANA**  
**FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

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Francis I. Huffman, CPA  
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## INDEPENDENT AUDITORS' REPORT

**Mayor Edward Brown and  
Board of Aldermen  
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 the **Town of St. Joseph, Louisiana** (the Town) as of and for the year ended June 30, 2004, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards for 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 our audit provides a reasonable basis for our opinion.

We issued an adverse opinion on the financial statements for the year ended June 30, 2003 because of inadequacies in the books and records of the Town. Those inadequacies resulted in the Utility Fund account payable having a debit balance of approximately \$27,000 and the interfund receivables and payable of the General Fund and the Utility Fund being out of balance by approximately \$25,000. As more fully discussed in Note 2 to the financial statements, management has made various corrections to the fund balance of the General Fund and the net assets of the Utility Fund at June 30, 2003.

In our opinion, the statement of net assets of the governmental activities, business-type activities, and the balance sheet of each major fund, and the aggregate remaining funds present fairly in all material respects, the respective financial position of the Town as of June 30, 2004 and the respective changes in financial position of the prevention education program fund and the aggregate remaining funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. Because of the

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

matter discussed in the preceding paragraph, we do not express an opinion on the statement of activities of the governmental activities, business-type activities and the statement of Revenues, Expenditures and Changes in Fund Balance of the General Fund and the statements of Revenues, Expenses and Changes in Net Assets and Cash Flows of the Utility Fund.

As described in Note 1, the Town has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2004.

The management's discussion and analysis and budgetary comparison information on pages 5 through 12 and 44 through 45, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2005 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 report in considering the results of our procedures.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying information listed as Other Supplemental Information, Schedules 3 through 5, in the accompanying Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Town. Such information has been subjected to the auditing procedures applied to the audit of the Town's basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



(A Professional Accounting Corporation)

**March 15, 2005**

**REQUIRED SUPPLEMENTAL INFORMATION  
(PART A)**

**TOWN OF ST. JOSEPH, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2004**

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, 2004. 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. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new model, the Town has elected to exclude the information in this report. Subsequent reports will include the comparative information.

**Financial Highlights**

- 1). The assets of the Town of St. Joseph exceeded its liabilities at the close of the most recent fiscal year by \$ 3,563,434. This was a net increase of total net assets of \$ 267,449. Of this \$3,563,434 of net assets, \$ 780,841 was unrestricted and \$2,782,593 was invested in capital assets.
- 2). As of the close of the fiscal year ended June 30, 2004, the Town's governmental funds reported a combined ending fund balance of \$155,853, a decrease of \$27,159 when compared to the fund balance of the prior year. Contributing to this \$27,159 deficit for the current year was \$78,739 of equipment purchases.
- 3). At the end of the fiscal year ending June 30, 2004, the General Fund's fund balance of \$122,488 was available for spending at the Town's discretion.
- 4). During the current year ended June 30, 2004 the Town started construction of a new water treatment plant and had spent \$850,572. The funding for this water treatment plant was a grant of \$419,353 and a bond issue of \$423,000. The remaining \$8,219 was paid from local funds.

## 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.

**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 14 and 15 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.

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 16 and 18 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 20 - 24 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, 2004, the Town had no fiduciary funds.

**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 25 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 \$3,563,434 at the close of the fiscal year ended June 30, 2004.

By far the largest amount of the Town's net assets (\$2,782,593) 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.

#### Town of St. Joseph's Net Assets June 30, 2004

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 189,171	\$ 884,623	\$ 1,073,794
Capital assets	355,878	2,849,715	3,205,593
Total assets	<u>545,049</u>	<u>3,734,338</u>	<u>4,279,387</u>
Current and other liabilities	33,318	259,635	292,953
Long-term liabilities	-	423,000	423,000
Total liabilities	<u>33,318</u>	<u>682,635</u>	<u>715,953</u>
Net Assets:			
Invested in capital assets			
net of related debt:	355,878	2,426,715	2,782,593
Unrestricted	155,853	624,988	780,841
Total net assets	<u>\$ 511,731</u>	<u>\$ 3,051,703</u>	<u>\$ 3,563,434</u>

**Government-wide Financial Analysis (cont.)**

The \$155,853 unrestricted net assets in the governmental funds are comprised mostly of cash. This represents approximately four months operating capital.

In this fiscal period the Town started construction of a new water treatment plant. This accounted for \$850,572 of additions to capital assets and \$423,000 in bonds payable.

**Governmental activities.** Governmental activities increased the Town of St. Joseph's net assets by \$13,915. The following reflects the condensed Statement of Activities for the year ended June 30, 2004.

**Town of St. Joseph's Changes in Net Assets  
June 30, 2004**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 78,962	\$ 565,741	\$ 644,703
Operating grants and contributions	105,110	-	105,110
Capital grants and contributions	13,595	419,353	432,948
General Revenue:			
Ad valorem taxes	26,819	-	26,819
Sales tax	86,018	-	86,018
License and permits	74,684	-	74,684
Other general revenue	79,018	80,011	159,029
Total revenue	<u>464,206</u>	<u>1,065,105</u>	<u>1,529,311</u>
Expenses:			
General government	140,288	-	140,288
Public safety	94,715	-	94,715
Public works	113,794	-	113,794
Culture and recreation	4,483	-	4,483
Health and welfare	97,011	-	97,011
Utility fund	-	811,571	811,571
Total expenses	<u>450,291</u>	<u>811,571</u>	<u>1,261,862</u>
Net Increase In Assets	<u>\$ 13,915</u>	<u>\$ 253,534</u>	<u>\$ 267,449</u>

### **Governmental activities (cont.)**

Expenses are classified by functions. General government accounted for approximately \$140,000 in expense or 31% of total expenses. Public works and Health and welfare accounted for 25% and 22% of the expenses respectfully.

Sales tax revenue, which provided \$86,018 of revenue, was the largest source of revenue for the Town. Licenses and permits was second at \$74,684.

**Business-type activities.** Business-type activities increased the Town of St. Joseph's net assets by approximately \$253,000. The following are the key elements of this increase:

Grant for construction of a new water treatment plant totaling \$ 419,353.

Operating expenses (including depreciation) exceeded operating revenues by \$ 197,020 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 \$155,853, and a decrease of \$27,159, 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 \$122,488, 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 July 15, 2004. No budget amendments were adopted prior to the end of the year.

During the year ended June 30, 2004, the budgets were not used as a management tool and the required amendments and monitoring required by the budget law was not adhered to. This has been changed and the budgets will be used as a management aid in the future period.

### Capital Asset 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, 2004, amounted to \$3,205,593 (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 Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Nondepreciable assets:			
Land	\$ 43,915	\$ 7,886	\$ 51,801
Depreciable assets:			
Building	437,559	-	437,559
Equipment	521,895	-	521,895
Water system	-	1,381,929	1,381,929
Gas system	-	730,463	730,463
Sewer system	-	1,922,531	1,922,531
Service equipment	-	203,279	203,279
Office equipment	-	51,616	51,616
Wireless communication equipment	-	14,658	14,658
Construction in progress (water treatment plant)	-	850,572	850,572
Total capital assets	<u>1,003,369</u>	<u>5,162,934</u>	<u>6,166,303</u>
Less Accumulated depreciation	<u>(647,491)</u>	<u>(2,313,219)</u>	<u>(2,960,710)</u>
Net Capital Assets	<u>\$ 355,878</u>	<u>\$ 2,849,715</u>	<u>\$ 3,205,593</u>

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

Expenditures of \$850,572 on construction in progress. This is cost incurred through June 30, 2004 on a new water treatment plant.

Purchase of \$47,080 of equipment for the fire department.

**Long-term Debt.** The Town of St. Joseph had one long-term debt at June 30, 2004. 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 requests for additional financial information should be addressed to Mayor Edward Brown, Town of St. Joseph; P.O. Box 217; St. Joseph, LA 71366.

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

**TOWN OF ST. JOSEPH**  
**St. Joseph, Louisiana**

**Statement of Net Assets**

June 30, 2004

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 152,666	\$ 476,985	\$ 629,651
Receivables	22,452	111,185	133,637
Due from other governmental units	2,626	-	2,626
Prepaid expenses	11,427	45,265	56,692
Restricted Assets:			
Cash	-	46,017	46,017
Capital assets, net	355,878	2,849,715	3,205,593
Bond issuance cost, net	-	9,317	9,317
Investment in jointly owned gas operations and maintenance fund	-	170,854	170,854
Prepaid expenses - noncurrent	-	25,000	25,000
<b>Total Assets</b>	<u>545,049</u>	<u>3,734,338</u>	<u>4,279,387</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	24,766	198,404	223,170
Internal balances	(1,387)	1,387	-
Accrued payroll and benefits	9,939	8,599	18,538
Deposits held	-	45,517	45,517
Accrued interest payable	-	5,728	5,728
Long-term liabilities			
Due within one year	-	2,738	2,738
Due in more than one year	-	420,262	420,262
<b>Total liabilities</b>	<u>33,318</u>	<u>682,635</u>	<u>715,953</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	355,878	2,426,715	2,782,593
Unrestricted	155,853	624,988	780,841
<b>Total net assets</b>	<u>\$ 511,731</u>	<u>\$ 3,051,703</u>	<u>\$ 3,563,434</u>

The accompanying notes are an integral part of this statement.



**TOWN OF ST. JOSEPH**  
St. Joseph, Louisiana

**Statement of Activities**

**June 30, 2004**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Functions/Programs</b>							
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 140,288	\$ -	\$ -	\$ -	(140,288)	\$ -	(140,288)
Public safety	94,715	-	8,100	13,595	(73,020)	-	(73,020)
Public works	113,794	61,045	-	-	(52,749)	-	(52,749)
Culture and recreation	4,483	10,750	-	-	6,267	-	6,267
Health and welfare	97,011	7,167	97,010	-	7,166	-	7,166
Total governmental activities	450,291	78,962	105,110	13,595	(252,624)	-	(252,624)
Business-type activity:							
Utility fund	811,571	565,741	-	419,353	-	173,523	173,523
Total business-type activities	811,571	565,741	-	419,353	-	173,523	173,523
Total primary government	\$ 1,261,862	\$ 644,703	\$ 105,110	\$ 432,948	(252,624)	173,523	(79,101)
General revenues:							
Taxes:							
Ad valorem taxes					26,819	-	26,819
Sales taxes					86,018	-	86,018
Other Taxes					1,569	-	1,569
Video poker					7,587	-	7,587
Licenses and permits					74,684	-	74,684
Fines and forfeitures					1,183	-	1,183
Use of money and property					6,674	4,126	10,800
Other revenues					62,005	48,712	110,717
Income from jointly owned gas operations and maintenance fund					-	27,173	27,173
Total general revenues					266,539	80,011	346,550
Change in net assets					13,915	253,534	267,449
Net assets at beginning of year (restated)					497,816	2,798,169	3,295,985
<b>NET ASSETS AT END OF YEAR</b>					<b>\$ 511,731</b>	<b>\$ 3,051,703</b>	<b>\$ 3,563,434</b>

The accompanying notes are an integral part of this statement.

**TOWN OF ST. JOSEPH**  
**St. Joseph, Louisiana**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2004**

	<u>Major Funds</u>		<u>Other Governmental Funds</u>	<u>Total</u>
	<u>General Fund</u>	<u>Prevention Education</u>		
<b>ASSETS</b>				
<b>Cash &amp; cash equivalents</b>	\$ 116,848	\$ 4,775	\$ 31,043	\$ 152,666
<b>Receivables:</b>				
Sales taxes	9,495	-	-	9,495
Other receivables	12,457	500	-	12,957
<b>Due from other governmental units</b>	-	2,626	-	2,626
<b>Prepaid Expenses</b>	11,427	-	-	11,427
<b>Due from other funds</b>	3,128	-	-	3,128
<b>TOTAL ASSETS</b>	<u>\$ 153,355</u>	<u>\$ 7,901</u>	<u>\$ 31,043</u>	<u>\$ 192,299</u>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>Liabilities:</b>				
Accounts payable and accrued expenses	\$ 24,511	\$ 255	\$ -	\$ 24,766
Accrued payroll and benefits	6,356	3,583	-	9,939
Due to other funds	-	-	1,741	1,741
<b>Total liabilities</b>	<u>30,867</u>	<u>3,838</u>	<u>1,741</u>	<u>36,446</u>
<b>Fund equity:</b>				
Fund balance:				
Unreserved/undesignated	122,488	4,063	29,302	155,853
<b>Total fund balance</b>	<u>122,488</u>	<u>4,063</u>	<u>29,302</u>	<u>155,853</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 153,355</u>	<u>\$ 7,901</u>	<u>\$ 31,043</u>	<u>\$ 192,299</u>

The accompanying notes are an integral part of this statement.

**TOWN OF ST. JOSEPH**  
**St. Joseph, Louisiana**  
**Reconciliation of the Governmental Funds**  
**Balance Sheet to the Statement of Net Assets**  
**June 30, 2004**

Fund balances - total governmental funds	\$	155,853
Amounts reported for governmental activities are not financial resources and, therefore, are not reported in the governmental funds		
Governmental capital assets	\$	1,003,369
Less: accumulated depreciation		<u>(647,491)</u>
		<u>355,878</u>
Net assets of governmental funds	\$	<u><u>511,731</u></u>

**TOWN OF ST. JOSEPH**  
**St. Joseph, Louisiana**  
**Governmental Funds**  
**Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**For the Year Ended June 30, 2004**

	<u>Major Funds</u>			<u>Total</u>
	<u>General Fund</u>	<u>Prevention Education Special Revenue Fund</u>	<u>Other Governmental Funds</u>	
<b>Revenues:</b>				
Taxes:				
Ad valorem	\$ 26,819	\$ -	\$ -	\$ 26,819
Sales	86,018	-	-	86,018
Charges for services	12,417	-	-	12,417
Licenses and permits, and commission for services	74,684	-	-	-
Intergovernmental:				
Federal	-	97,010	-	97,010
State	30,851	-	-	30,851
Local	48,628	-	-	48,628
Fines and forfeitures	1,183	-	-	1,183
Use of money and property	11,122	-	6,302	17,424
Other revenues	43,914	7,167	18,092	69,173
<b>Total Revenues</b>	<u>335,636</u>	<u>104,177</u>	<u>24,394</u>	<u>389,523</u>
<b>Expenditures:</b>				
Current:				
General government	129,656	-	-	129,656
Public safety	89,530	-	-	89,530
Public works	92,219	-	-	92,219
Culture and recreation	4,483	-	-	4,483
Health and welfare	-	96,739	-	96,739
Capital outlay	74,409	4,330	-	78,739
<b>Total Expenditures</b>	<u>390,297</u>	<u>101,069</u>	<u>-</u>	<u>491,366</u>
<b>Excess (Deficiency) of Revenues</b>	(54,661)	3,108	24,394	(27,159)
<b>Other Financing Sources/(Uses)</b>				
Transfers in	-	955	-	955
Transfers out	(955)	-	-	(955)
<b>Total Other Financing Sources/(Uses)</b>	<u>(955)</u>	<u>955</u>	<u>-</u>	<u>-</u>
<b>Excess of Revenues Over Expenditures</b>	(55,616)	4,063	24,394	(27,159)
<b>Fund balances at beginning of year</b>	174,769	-	4,908	179,677
<b>Adjustment for correction of errors (Note 2)</b>	3,335	-	-	3,335
<b>Fund balances at beginning of year (as restated)</b>	<u>178,104</u>	<u>-</u>	<u>4,908</u>	<u>183,012</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 122,488</u>	<u>\$ 4,063</u>	<u>\$ 29,302</u>	<u>\$ 155,853</u>

The accompanying notes are an integral part of this statement.

**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, 2004**

Net change in fund balances - total governmental funds	\$	(27,159)
Amount reported for governmental activities in the statement of activities are different because:		
<p style="margin-left: 40px;">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.</p>		
Capital outlay	\$ 78,739	
Depreciation expense	<u>(37,665)</u>	<u>41,074</u>
Change in net assets of governmental activities	\$	<u><u>13,915</u></u>

**TOWN OF ST. JOSEPH**  
St. Joseph, Louisiana

**Business-Type Activities - Enterprise Fund**  
**Statement of Net Assets**  
June 30, 2004

	<u>Utility Fund</u>
<b>ASSETS</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 476,985
Accounts receivable - net	111,185
Prepaid expenses	45,265
Total current assets	<u>633,435</u>
<b>Noncurrent assets:</b>	
Restricted cash and cash equivalents	46,017
Capital assets:	
Depreciable:	
Property, plant and equipment	4,304,476
Accumulated depreciation	<u>(2,313,219)</u>
Net depreciable property, plant and equipment	1,991,257
Land	7,886
Construction in Process	850,572
Net capital assets	<u>2,849,715</u>
Bond Issuance Cost, Net	9,317
Investment in jointly owned gas operations and maintenance fund	170,854
Prepaid lease expense	25,000
Total noncurrent assets	<u>3,100,903</u>
<b>Total assets</b>	<u>\$ 3,734,338</u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>Current liabilities:</b>	
Accounts payable and accrued expenses	\$ 198,404
Accrued Payroll and benefits	8,599
Due to other funds	1,387
Total current liabilities	<u>208,390</u>
<b>Liabilities payable from restricted assets:</b>	
Customer deposits (net)	45,517
Accrued interest payable	5,728
Revenue bonds payable	2,738
Total restricted liabilities	<u>53,983</u>
<b>Noncurrent liabilities:</b>	
Revenue bonds payable	420,262
Total noncurrent liabilities	<u>420,262</u>
<b>Total liabilities</b>	<u>682,635</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	2,426,715
Unrestricted	624,988
Total net assets	<u>3,051,703</u>

The accompanying notes are an integral part of this statement.

**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, 2004**

	<u>Utility Fund</u>
<b>OPERATING REVENUES</b>	
Water sales	\$ 227,209
Gas sales	305,150
Sewerage fees	17,849
Wireless communication fees	398
Penalties	15,135
Other operating revenues	48,712
Total operating revenues	<u>614,453</u>
<b>OPERATING EXPENSES</b>	
Water supplies and expenses	69,196
Gas purchases	225,705
Gas supplies and expenses	28,723
Sewer supplies and expenses	6,010
Wireless communication expenses	37,511
Advertising	3,719
Bad debts	88,500
Data Processing	4,196
Depreciation	128,402
Dues and subscriptions	3,519
Insurance - general	16,212
Legal and audit	13,327
Meter reading	5,750
Miscellaneous expenses	12,856
Office supplies	7,150
Salaries and related benefits	152,539
Utilities and Communication	8,158
Total operating expenses	<u>811,473</u>

(continued)

The accompanying notes are an integral part of this financial statement.

**TOWN OF ST. JOSEPH**  
**St. Joseph, Louisiana**

**Business-Type Activity - Enterprise Fund**  
**Statement of Revenues, Expenses, and Changes in**  
**Net Assets (Concluded)**  
**For The Year Ended June 30, 2004**

	<u>Utility Fund</u>
Operating loss	(197,020)
 <b>NONOPERATING REVENUES (EXPENSES)</b>	
Grants	419,353
Interest earnings	4,126
Income from jointly owned gas line	27,173
Amortization of bond issuance Cost	<u>(98)</u>
Total nonoperating revenue (expenses)	<u>450,554</u>
 Net Income	 253,534
 <b>Net assets beginning of year</b>	 2,858,890
<b>Adjustment for corrections of errors (Note 2)</b>	<u>(60,721)</u>
<b>Net assets beginning of year (as restated)</b>	<u>2,798,169</u>
 <b>NET ASSETS END OF YEAR</b>	 <b>\$ <u>3,051,703</u></b>



**Statement I**

**TOWN OF ST. JOSEPH  
St. Joseph, Louisiana**

**Business-Type Activity - Enterprise Fund  
Statement of Cash Flows  
For the Year Ended June 30, 2004**

	<u>Utility Fund</u>
<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 538,480
Cash paid for employee services	(149,195)
Cash payments to suppliers for goods and services	(376,631)
Net cash provided by operating activities	<u>12,654</u>
<b>Cash flows from capital and related financing activities</b>	
Grant received for acquisition of capital assets	419,353
Payment on construction of new water plant	(700,583)
Acquisition of capital assets	(33,847)
Bond issuance cost	(9,415)
Proceeds of bond issue	423,000
Net cash provided by financing activities	<u>98,508</u>
<b>Cash flows from investing activities</b>	
Interest received on investments	<u>4,126</u>
Net cash provided by investing activities	<u>4,126</u>
<b>Net increase in cash and cash equivalents</b>	115,288
<b>Cash and cash equivalents, beginning of year</b>	<u>407,714</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 523,002</u>
<b>Shown on the accompanying balance sheet as</b>	
Current Assets	
Cash and cash equivalents	\$ 476,985
Restricted assets:	
Cash	<u>46,017</u>
<b>Total</b>	<u>\$ 523,002</u>

(Continued)

The accompanying notes are an integral part of this financial statement.

**TOWN OF ST. JOSEPH**  
**St. Joseph, Louisiana**

**Business-Type Activity - Enterprise Fund**  
**Statement of Cash Flows (Concluded)**  
**For the Year Ended June 30, 2004**

	<u>Utility Fund</u>
<b>Reconciliation of operating income to net cash</b>	
Operating loss	\$ (197,020)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	128,402
Bad Debts	88,500
Lease Expense	33,333
Change in assets and liabilities	
Accounts receivable	(77,610)
Prepaid Expense	(11,931)
Accounts payable and accrued liabilities	43,999
Accrued payroll and benefits	3,344
Due to other funds	847
Customer deposits	<u>790</u>
Net cash provided by operating activities	<u>\$ 12,654</u>
<b>Supplemental disclosure of noncash capital investing activities:</b>	
Increase in the investment of the jointly owned gas operations and maintenance fund	<u>\$ 27,173</u>

**TOWN OF ST. JOSEPH, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

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 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, 2004**

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

***B. New Accounting Standards Adopted***

As of July 1, 2003, the Town adopted three new statements of financial accounting standards and one new interpretation issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 34 – *Basic Financial Statement – and Management’s Discussion and Analysis - for State and Local Governments.*
- Statement No. 37 – *Basic Financial Statements – and Management’s Discussion and Analysis - for State and Local Governments: Omnibus.* This statement amends GASB Statements No. 21 and 34.
- Statement No. 38 – *Certain Financial Statement Disclosures* which modifies, establishes, and rescinds certain financial statement disclosure requirements.
- Interpretation No. 6 – *Recognition and Measurement of Certain Liabilities & Expenditures in Governmental Fund Financial Statements* is an interpretation of NCGA Statements 1, 4, and 5; NCGA Interpretation 8 and GASB Statement Nos. 10, 16, and 18. It clarifies the existing modified accrual standards for distinguishing the portion of liability that should be reported as a governmental liability/expenditure from the portion that should be reported as a general long-term liability.

Statement No. 34 (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments.

Statement No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the Town’s governmental activities and business-type activities on the statement of net assets and statement of activities. Significantly, the Town’s statement of net assets includes both non-current assets and non-current liabilities of the Town, which was previously recorded in the General Fixed Assets Account Group and General Long-Term Debt Account Group, respectively.

In addition to the government-wide financial statements, the Town has prepared fund financial statements, which continue to use the modified accrual basis of accounting and current financial resources measurement focus for governmental fund types. Under this method, revenues are recorded when earned and expenses

**TOWN OF ST. JOSEPH, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

are recorded at the time the liabilities are incurred. The format of the financial statements has been modified by Statement No. 34 to focus on major funds, as opposed to presenting fund types.

Statement No. 34 also requires certain required supplementary information in the form of Management's Discussion and Analysis which includes an analytical overview of the Town's financial activities. In addition, a budgetary comparison statement is presented for each major fund that compares the adopted and modified budget with actual results.

**C. *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 statement is 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 included dedicated resources such as a restricted property tax.

**TOWN OF ST. JOSEPH, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

***Fund Financial Statements***

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 function and activities. A fund is a separate accounting entity with a self-balancing set of account 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:

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 specified 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

**TOWN OF ST. JOSEPH, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

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 revenue 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.

*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.

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

1. 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.

**TOWN OF ST. JOSEPH, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

- 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.
- 2. Sewer rates - \$2.50 per month.
- 3. Gas rates charged to customers are \$13.00 for each 1,000 cubic feet of gas used or fraction thereof.

***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 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.
- 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.

***E. 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.



**TOWN OF ST. JOSEPH, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

At June 30, 2004, the Town had cash and cash equivalents totaling \$675,668 as follows:

Petty Cash	\$	100
Demand Deposits		420,358
LAMP Deposits		255,210
Total		<u>675,668</u>

These deposits are stated at cost, which approximates market. 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, 2004, are secured, as follows:

Bank Balances	\$	<u>425,918</u>
Federal deposit insurance		259,650
Pledged securities		512,554
Total		<u>772,204</u>

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 I50.165 the investment in LAMP at June 30, 2004 is not categorized in the three risk categories provided by GASB I50.164 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

**TOWN OF ST. JOSEPH, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

designed to be highly liquid to give its participants immediate access too 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.

***F. 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.”

***G. 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. Interest of \$5,728 was capitalized during the year ended June 30, 2004.

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

**TOWN OF ST. JOSEPH, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

***H. Debt Issuance Cost***

Debt issuance cost in the amount of \$9,317 is included in noncurrent assets. Debt issuance cost is amortized over the life of the related debt issue using the straight-line method.

***I. 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.

***J. 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 \$136,500 is recorded as of June 30, 2004.

***K. Compensated Absences***

Prior to July 1, 2004, the Town did not accrue vacation or sick time. At June 30, 2004 there were no compensated absences. Subsequent to July 1, 2004, management began to accrue vacation and sick time. Vacation time is accrued base on the number of years of 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 hrs per year and can be carried over from year to year. Upon termination, the employee will be paid for 80 hours of sick time. Employees are not paid overtime but are given compensatory time equal to the amount that would have been due for the overtime worked.

***L. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists 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. 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.

**TOWN OF ST. JOSEPH, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

**M. 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 - Correction of Errors**

At June 30, 2003, the Town's interfund receivables and payables did not equal. During the fiscal year ended June 30, 2004, the Town made corrections to their receivables, payables, sales tax revenue, and occupational licenses revenue.

The net effect of these corrections is an increase in the fund balance of the General Fund of \$3,335 and a decrease in the net assets of the Utility Enterprise Fund of \$60,721 as of June 30, 2003.

**Note 3 - Receivables**

Receivables of \$136,637 as of June 30, 2004 are comprised of the following:

<u>Fund Type</u>	<u>Franchise</u>		<u>Inter-</u>		<u>Total</u>
	<u>Fees</u>	<u>Accounts</u>	<u>Governmental</u>	<u>Other</u>	
General	\$ 7,000	\$ 65	\$ 13,284	\$ 2,103	\$ 22,452
Proprietary	-	120,822	51,863	75,000	247,685
Less Allowance for Doubtful Accounts	-	(61,500)	-	(75,000)	(136,500)
Total	<u>\$ 7,000</u>	<u>\$ 59,387</u>	<u>\$ 65,147</u>	<u>\$ 2,103</u>	<u>\$ 133,637</u>

The Town has 632 water and sewer customers. They also serve 501 gas customers. An ageing of the utility receivables as of June 30, 2004 is as follows:

**TOWN OF ST. JOSEPH, LOUISIANA  
 NOTES TO THE FINANCIAL STATEMENTS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Water</u>	<u>Gas</u>	<u>Sewer</u>	<u>Other</u>	<u>Total</u>
Current	\$ 31,845	\$ 17,564	\$ 2,746	\$ 4,036	\$ 56,191
31 - 60 days	2,395	3,916	312	1,010	7,633
61 - 90 days	1,614	4,475	240	1,083	7,412
91 - 120 days	688	597	32	1,162	2,479
Over 120 days	<u>10,460</u>	<u>23,027</u>	<u>1,522</u>	<u>12,098</u>	<u>47,107</u>
Total	<u>\$ 47,002</u>	<u>\$ 49,579</u>	<u>\$ 4,852</u>	<u>\$ 19,389</u>	<u>\$ 120,822</u>

**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 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	6.63

**TOWN OF ST. JOSEPH, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

**Note 5 - Changes in Capital Assets**

The changes in capital assets follows:

	<u>Balance</u> <u>06/30/03</u>	<u>Additions</u>	<u>Retirements</u> <u>and Transfers</u>	<u>Balance</u> <u>06/30/04</u>
<b>Governmental Activities:</b>				
Nondepreciable assets:				
Land	\$ 65,605	\$ -	\$ (21,690)	\$ 43,915
Depreciable assets:				
Buildings	410,552	5,317	21,690	437,559
Equipment	448,504	73,391	-	521,895
Total depreciable assets	<u>859,056</u>	<u>78,708</u>	<u>21,690</u>	<u>959,454</u>
Less: accumulated depreciation	<u>(609,827)</u>	<u>(37,664)</u>	<u>-</u>	<u>(647,491)</u>
 Total governmental activities capital assets, net	 <u>\$ 314,834</u>	 <u>\$ 41,044</u>	 <u>\$ -</u>	 <u>\$ 355,878</u>
 <b>Business-type activities:</b>				
Nondepreciable assets:				
Land	\$ 7,886	\$ -	\$ -	\$ 7,886
Depreciable assets:				
Water system	1,381,929	-	-	1,381,929
Gas system	730,463	-	-	730,463
Sewer system	1,922,531	-	-	1,922,531
Service equipment	203,279	-	-	203,279
Office equipment	21,917	29,699	-	51,616
Wireless communication equipment	<u>10,510</u>	<u>4,148</u>	<u>-</u>	<u>14,658</u>
Total depreciable assets	<u>4,270,629</u>	<u>33,847</u>	<u>-</u>	<u>4,304,476</u>
Less: accumulated depreciation	<u>(2,184,817)</u>	<u>(128,402)</u>	<u>-</u>	<u>(2,313,219)</u>
Construction in process	<u>-</u>	<u>850,572</u>	<u>-</u>	<u>850,572</u>
 Total business-type capital assets, net	 <u>\$ 2,093,698</u>	 <u>\$ 756,017</u>	 <u>\$ -</u>	 <u>\$ 2,849,715</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  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

Depreciation of \$128,402 as of June 30, 2004 was charged to expense in the utility fund. Depreciation charged to governmental activities is as follows:

General government	\$	10,632
Public safety		5,185
Public works		21,575
Health and welfare		<u>272</u>
 Total	 \$	 <u><u>37,664</u></u>

**Note 6 - 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 MERS for the years ended June 30, 2004, 2003 and 2002 were \$16,369, \$9,270, and \$7,041, 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  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

Police employees are covered by The Municipal Police Employees Retirement System. As of June 30, 2004 the Town did not have any policemen covered by the plan.

**Note 7 - Long-Term Debt**

The following is a summary of long-term debt transactions for the year ended June 30, 2004

Balance beginning of the year	\$	-
Additions		423,000
Retirements		-
		-
Balance end of year	\$	423,000

Bonds payable at June 30, 2004 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%

\$423,000



**TOWN OF ST. JOSEPH, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

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

Fiscal Year Ended June 30,	Amount
2005	\$ 9,594
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	83,232
	\$ 745,184

**Note 8 - 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, 2004 is as follows:

**TOWN OF ST. JOSEPH, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

ASSETS	
Cash	\$ 299,066
Investments	21,825
Account Receivable	<u>40,214</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>361,105</u></b>
LIABILITIES AND FUND EQUITY	
Liabilities:	
Accounts payable	\$ 16,807
Accrued liabilities	2,428
Customer deposits	<u>162</u>
<b>Total Liabilities</b>	<b>19,397</b>
Fund Equity:	
Town's Equity	<u>341,708</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ <u>361,105</u></b>

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

**Note 9 - 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 2004, the Town made \$225,705 of gas purchases and owed the Joint Line \$28,297 at June 30, 2004.

**Note 10 - 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

**TOWN OF ST. JOSEPH, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

premiums are calculated based on the ultimate cost of the experience to date of the pool participants.

**Note 11 – Commitments and Contingencies**

The Town has an active project for the construction of a water plant as of June 30, 2004. As of June 30, 2004, the Town has spent \$850,572 and has remaining commitments with contractors of \$336,789.

During the year, the Town canceled its contract 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 four 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, 2004 the Town had not received the promissory note from Hummingbird Wireless of Louisiana, Inc. Subsequent to year end the Town authorized the Mayor, through its 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.

At June 30, 2004, 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 12 - Federal Awards**

During the year ended June 30, 2004, the Town issued revenue bonds of \$423,000 through the United States Department of Agriculture's Rural Development Division for the building of a new water plant. At June 30, 2004 they had expended \$354,094 of the proceeds on construction.

**TOWN OF ST. JOSEPH, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

The Town, in addition, received a grant of \$97,010 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. The total amount of the grant was expended at June 30, 2004.

**REQUIRED SUPPLEMENTAL INFORMATION  
(PART B)**

**TOWN OF ST. JOSEPH**  
St. Joseph, Louisiana

**Budgetary Comparison Schedule (GAAP Basis)**  
**General Fund**  
**Fiscal Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Budgetary fund balance at beginning of year</b>	\$ 174,769	\$ 174,769	\$ 178,104	\$ 3,335
<b>Resources (inflows)</b>				
Ad valorem taxes	24,000	24,000	26,819	2,819
Sales and other taxes	70,000	70,000	86,018	16,018
License and permits:				-
Franchise revenue	28,200	28,200	32,946	4,746
Occupational & other licenses	43,000	43,000	41,738	(1,262)
Intergovernmental revenue	55,800	55,800	71,379	15,579
Charges for services	10,000	10,000	12,417	2,417
State salary supplement - police	9,000	9,000	8,100	(900)
Fines and forfeitures	2,350	2,350	1,183	(1,167)
Interest income	1,200	1,200	372	(828)
Miscellaneous	23,500	23,500	54,664	31,164
<b>Total Revenues</b>	<u>267,050</u>	<u>267,050</u>	<u>335,636</u>	<u>68,586</u>
Transfers In	<u>28,100</u>	<u>28,100</u>	<u>-</u>	<u>(28,100)</u>
Amounts available for appropriations	<u>469,919</u>	<u>469,919</u>	<u>513,740</u>	<u>43,821</u>
<b>Charges to appropriations (outflows)</b>				
Current:				
General government:	111,456	111,456	129,656	(18,200)
Administration				
Culture and Recreation	2,175	2,175	4,483	(2,308)
Public safety:				
Police department	75,800	75,800	78,732	(2,932)
Fire department	1,500	1,500	10,798	(9,298)
Public Works				
Streets and Sanitation	63,400	63,400	65,939	(2,539)
Garbage Department	20,950	20,950	26,280	(5,330)
Capital outlay	10,000	10,000	74,409	(64,409)
<b>Total charges</b>	<u>285,281</u>	<u>285,281</u>	<u>390,297</u>	<u>(105,016)</u>
Transfers out	<u>-</u>	<u>-</u>	<u>955</u>	<u>(955)</u>
<b>Total Charges to Appropriations</b>	<u>285,281</u>	<u>285,281</u>	<u>391,252</u>	<u>(105,971)</u>
<b>Budgetary fund balance at end of year</b>	\$ <u>184,638</u>	\$ <u>184,638</u>	\$ <u>122,488</u>	\$ <u>(62,150)</u>

**TOWN OF ST. JOSEPH**  
St. Joseph, Louisiana

**Budgetary Comparison Schedule (GAAP Basis)**  
**Prevention Education**  
**Special Revenue Fund**  
**Fiscal Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Budgetary fund balance at beginning of year</b>	\$ -	\$ -	\$ -	\$ -
<b>Resources (inflows)</b>				
Intergovernmental revenue	97,010	97,010	97,010	-
Miscellaneous	24,100	24,100	7,167	(16,933)
<b>Total Revenues</b>	<u>121,110</u>	<u>121,110</u>	<u>104,177</u>	<u>(16,933)</u>
Transfers-in	-	-	955	955
Amounts available for appropriations	<u>121,110</u>	<u>121,110</u>	<u>105,132</u>	<u>(15,978)</u>
<b>Charges to appropriations (outflows)</b>				
Current:				
Health and welfare:				
Personnel services and related benefits	40,410	40,410	45,172	(4,762)
Travel	6,505	6,505	6,064	441
Operating services	16,900	16,900	11,373	5,527
Supplies	8,395	8,395	6,363	2,032
Professional services	44,100	44,100	27,767	16,333
Capital outlay	4,800	4,800	4,330	470
<b>Total Charges</b>	<u>121,110</u>	<u>121,110</u>	<u>101,069</u>	<u>20,041</u>
<b>Budgetary fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,063</u>	<u>\$ 4,063</u>

**SUPPLEMENTARY INFORMATION**



**TOWN OF ST. JOSEPH**  
**St. Joseph, Louisiana**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**As of June 30, 2004**

	<b>Special Revenue Funds</b>		<b>Total Nonmajor Governmental Funds</b>
	<b>Downtown Revitalization</b>	<b>Lake Bruin</b>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 12,951	\$ 18,092	\$ 31,043
<b>TOTAL ASSETS</b>	<b>\$ 12,951</b>	<b>\$ 18,092</b>	<b>\$ 31,043</b>
 <b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Due to other funds	\$ 1,741	\$ -	\$ 1,741
Total liabilities	<u>1,741</u>	<u>-</u>	<u>1,741</u>
 <b>Fund balance</b>			
Unreserved/undesignated	<u>11,210</u>	<u>18,092</u>	<u>29,302</u>
Total fund balance	<u>11,210</u>	<u>18,092</u>	<u>29,302</u>
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	 <b>\$ 12,951</b>	 <b>\$ 18,092</b>	 <b>\$ 31,043</b>

**TOWN OF ST. JOSEPH**  
**St. Joseph, Louisiana**  
**Nonmajor Governmental Funds**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance**  
**For the Year Ended June 30, 2004**

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Downtown</u> <u>Revitalization</u>	<u>Lake</u> <u>Bruin</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
<b>REVENUES</b>			
Use of property and money	\$ 6,302	-	6,302
Other Income	-	18,092	18,092
Total Revenues	<u>6,302</u>	<u>18,092</u>	<u>24,394</u>
<b>EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	6,302	18,092	24,394
<b>FUND BALANCE, beginning of year</b>	<u>4,908</u>	<u>-</u>	<u>4,908</u>
<b>FUND BALANCE END OF YEAR</b>	<u>\$ 11,210</u>	<u>\$ 18,092</u>	<u>\$ 29,302</u>

**TOWN OF ST. JOSEPH, LOUISIANA  
SCHEDULE OF COMPENSATION PAID ALDERMEN  
FOR THE YEAR ENDED JUNE 30, 2004**

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

**REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**



Francis I. Huffman, CPA  
L. Fred Monroe, CPA  
Esther Atteberry, 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 have audited the financial statements of the Town of St. Joseph, Louisiana (the Town) as of and for the year ended June 30, 2004 and have issued our report thereon dated March 15, 2005. In our report we disclaimed an opinion on the statement of activities of the governmental activities, business-type activities and the changes in financial position of the General Fund, Utility Fund and the statement of cash flows, where applicable due to errors in the beginning balances of assets, liabilities and fund equity accounts. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 04-01, 04-02, 04-03, 04-04, 04-05, and 04-06.

**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

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

expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town's 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 04-07 and 04-08.

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 04-07 to be a material weakness. In addition we noted immaterial instances in internal control that we have reported to the management of the Town in a separate letter dated March 15, 2005.

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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



(A Professional Accounting Corporation)

**March 15, 2005**

**TOWN OF ST. JOSEPH, LOUISIANA  
SCHEDULE OF FINDINGS**

**04-01 - 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, 2004 was due to the Legislative Auditor by December 31, 2004.

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

***Recommendation:***

We recommend that the Town maintain accurate accounting records whereby an audit can be made timely enough to comply with Revised Statute 24:513.

***Management's Corrective Action Plan:***

As recommended, we will maintain accounting records in a manner such that an audit can be timely performed. To ensure the accuracy of accounting records, our Certified Public Accountant may review accounting records and perform audit tests of such records to ensure their accuracy prior to the start of each audit.

**04-02 – 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 \$1,145.63 be deposited monthly into a sinking fund. These deposits were to have commenced on February 20, 2004. During the course of our audit, we noted that the required sinking fund deposits had not been made by the Town. This has resulted in a 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:***

As recommended, we have reviewed the Monthly Payments schedule of the bond covenant and made all sinking fund deposits as required.

**TOWN OF ST. JOSEPH, LOUISIANA  
SCHEDULE OF FINDINGS**

**04-03 Loan of Public Funds**

***Finding:***

During the course of our audit we noted amounts shown as due from employees recorded in the General Fund. It was determined that these amounts were due from the Mayor. The receivable, totaling \$1,431, was for personal purchases made by the Mayor on the Town's credit card from July 1, 2003 through October 15, 2003. As of June 30, 2004 these funds had not be reimbursed. Article 7, Section 14 to the Louisiana State Constitution prohibits the funds, credit, property, or things of value of the state or any political subdivision from being loaned, pledged, or donated to or for any person, association, or corporation, public or private. The personal use of the town's credit card has resulted in the Town making loans to the Mayor in violation of Article 7, Section 14.

***Recommendation:***

We recommend that the Town of St. Joseph, Louisiana comply with the provisions of Article 7, Section 14 of the Louisiana State Constitution and the Mayor repay these loans immediately.

***Management's Corrective Action Plan:***

As directed in October of 2003, the Mayor discontinued using the town's credit card. If an unusual circumstance arises where an expense is charged to the town on behalf of the Mayor, immediate (next day) reimbursement is made to the town. The Mayor paid the \$1,431.00 employee receivable balance in November 2004 and prepared business expense reports covering this period. The town owes the Mayor approximately \$200.00 business expenses incurred on behalf of the town.

**04-04 – Employee vs. Independent Contractor**

***Finding:***

During the fiscal year ended June 30, 2004, the Town hired 4 individuals on a contract basis to supplement the Town's police department. For the calendar year 2003, one of these individuals received \$979 for the services rendered. At the end of 2003, the Town did not issue a form 1099 for the personal services as required by the Internal Revenue Service. The IRS requires that every employer paying an individual for personal services of \$600 or more in a calendar year must give that individual a Form 1099 showing the amount paid, if that individual was not an employee. Since the Town did not issue the required 1099, they could be subjected to penalties.

There are three categories that provide the evidence in the employee-independent contractor determination provided in the Internal Revenue Service's Publication 15-A, *Employer's Supplemental Tax Guide*. These categories are behavioral control, financial control, and the type



**TOWN OF ST. JOSEPH, LOUISIANA  
SCHEDULE OF FINDINGS**

of relationship of the parties. We discussed with management, whether the Town's relationship with these individuals met the common law test of the IRS. Based on the information provide by management, these individuals might have been employees and not independent contactors. If the affected individuals are determined to be employees by the Internal Revenue Service, the town also could be held liable for the employment taxes for those individuals.

**Recommendation:**

We recommend that in the future any individual that provides personal services to the Town in an amount of \$600 or more be issued the required form 1099 at the end of the year. Also upon entering into a contract with the individual, we recommend that management of the Town consult Publication 15-A to review the test of whether the individual is an employee or independent contractor.

**Management's Corrective Action Plan**

We agree that off-duty law enforcement officers of other political subdivisions may be considered town employees when working for the town and will treat them as such in accordance with IRS rules and regulations. We will comply with the Auditor's recommendation and prepare Form 1099s as required.

**04-05 – Compliance with Local Government Budget Act**

***Finding:***

In performing our tests of compliance relating to LRS 39:1301 et. seq. (commonly cited as the Local Government Budget Act), we noted that actual expenditures in the General Fund were greater than the budgeted amounts by \$134,000 or 52% which exceeds the 5% allowed by the Local Government Act. We also noted that revenues and other sources were less than budgeted amounts by \$15,978 or 13% for the Prevention Education Program Special Revenue Fund. The Local Government Budget Act requires that originally adopted budgets be amended if revenues and other sources are below budget by 5% or more and/or expenditures and other uses are in excess of the budget by the same percentage. The General Fund and the Prevention Education Program Special Revenue Fund were not amended during the year as required by LRS 39:1301.

***Recommendation:***

We recommend that a comprehensive review of budget to actual be made in each month to detect potential material variances as early as possible. If these reviews reveal a variance of 5% or more for revenues and/or expenditures, then plans should be made to either adjust revenues and/or expenditures or amend the budget before the year end.

**TOWN OF ST. JOSEPH, LOUISIANA  
SCHEDULE OF FINDINGS**

**Management's Corrective Action Plan**

We will comply with the auditor's recommendation. In January of this year, we established a budget review committee to ensure compliance with the Local Government Budget Act.

**04-06 – Compensatory Time**

**Finding:**

The Town of Saint Joseph, Louisiana does not pay their employees for the overtime worked. It is the Town's policy to give the employees compensatory time off for those hours. At June 30, 2004, the Town recorded compensatory time 389 hours or \$3,398 for the employees. The compensatory time was given on the basis of one hour for each hour of overtime worked. Wage and hour regulations require that an individual be paid time and one-half for any overtime worked. As required by wage and hour, these employees should have received an additional 194 hours or \$1,699.

**Recommendation:**

We recommend that the Town give their employees one and one-half hours of compensatory time for each hour of overtime worked.

**Management's Corrective Action Plan:**

We agree with the Audit recommendation of giving compensatory time at one and one-half hours for each hour of overtime worked and will add the 194 hours totaling \$1,699 to the appropriate employees compensatory account as recommended. In the future, all overtime hours worked will be accrued to the employees compensatory account at one and one-half times their hourly pay rate.

**04-07 - State of the Accounting and Reporting**

**Finding:**

In our audit of the financial statements of the Town of St. Joseph, Louisiana for the years ended June 30, 2003 and 2002, we expressed our concern as to the ability of the Town to produce financial statements and reports in an accurate and timely manner, both for purposes of external financial reporting and internal decision making. Problems have continued to exist in the books and records despite the Town changing its accounting software program.

Problems that were encountered were as follows:

1. The audit adjusting entries for the prior fiscal year had not been posted to the general ledger, thereby, the beginning net assets did not agree with the prior year audit.

**TOWN OF ST. JOSEPH, LOUISIANA  
SCHEDULE OF FINDINGS**

2. The bank reconciliations for the month of June 2004 did not agree with the cash balances as shown in the general ledger.
3. The interfund balances (due to/from) did not agree.
4. Operating transfers in and out did not balance.
5. There was no accurate listing of general capital assets of the Town.
6. During our search for unrecorded liabilities, we noted that the Town had been billed by their insurance carrier for the annual premiums for their liability coverage. In order to cover the premium, the carrier had set a six month payment schedule for the Town. The Town, based on this payment schedule, failed to record the liability and corresponding prepayment of insurance.

Because of the problems that existed in the Town's books and records, the Town had to hire an outside accountant to correct the accounts. In order to correct the problems that existed in the account balances, adjustments to the beginning net assets had to be made. These adjustments resulted in an increase in the fund balance of the General Fund of \$3,335 and a decrease in the net assets of the Utility Enterprise Fund of \$60,721.

***Recommendation:***

We recommend that qualified personnel be hired to maintain the Town's accounting records. In addition, we recommend that balance sheet accounts be reconciled each month prior to the closing of the general ledger and the preparation of financial statements. Revenue and expenditure accounts should be reviewed each month for obvious errors and omissions.

***Management's Corrective Action Plan:***

We agree with the Auditor's recommendations and will reconcile all balance sheet accounts monthly as well as review revenue and expenditure accounts for reasonableness, errors and omissions. In addition, we will develop a fixed assets ledger to accurately show town assets and established procedures to record liabilities in the period incurred. Our Certified Public Accountant has reconciled balance sheet accounts with those reflected in the June 30, 2003 Audited Financial Statements and will record June 30, 2004 audit adjustments submitted by our Independent Auditor. Allowing our CPA to record all audit adjustments into our existing accounting system should ensure the accuracy of beginning balances in our balance sheet accounts and thereby, promote a smoother transition for accurately reporting of current as well as future financial statements.

**TOWN OF ST. JOSEPH, LOUISIANA  
SCHEDULE OF FINDINGS**

**04-08 – Cash Disbursements**

***Finding:***

During our review of cash disbursements, sixteen of the sixty disbursements tested did not have the approval of the Board of Alderman finance committee before they were paid. It is the policy of the Town that all invoices be submitted to the finance committee which is made up of two Aldermen, to review and approve for payment.

***Recommendation:***

We recommend that the Town follow its policy of submitting all invoices to the finance committee for its approval before they are paid.

***Management's Corrective Action Plan:***

We agree with the Auditors finding and have reemphasized to employees, including those employees involved in the Prevention Education Program, the importance of presenting all invoices and supporting disbursements to the Finance Committee for review and signature approval.

**TOWN OF ST. JOSEPH, LOUISIANA  
SUMMARY STATUS OF PRIOR YEAR FINDINGS**

The following is a summary of the status of findings included in the Schedule of Findings dated February 26, 2004 issued in connection with the audit of the financial statements of the Town of St. Joseph, Louisiana as of and for the year ended June 30, 2003 and the management letter comments.

**03-01**

***Finding:*** 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.

***Status:*** We have made significant improvements for providing accurate and timely financial statements by purchasing user friendlier accounting software that give detailed subsidiary ledgers supporting the general ledger control accounts. Accurate and timely financial statements should result with proper review and reconciliation of the subsidiary ledgers to the general ledger control accounts.

**03-02**

***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, 2004.

**03-03**

***Finding:*** The Town approved giving a police officer a bonus of \$100 during the year. In addition, the Mayor used the Town's credit card for personal purchases and at June 30, 2003, had not reimbursed the Town for these purchases. These actions were in violation of Article 7, Section 14 to the Louisiana Constitution.

***Status:*** The Town is no longer authorizing bonuses to be paid to employees. As directed in October of 2003, the Mayor discontinued using the town's credit card. If an unusual circumstance arises where an expense is charged to the town on behalf of the Mayor, immediate (next day) reimbursement is made to the town.

(Continued)

**TOWN OF ST. JOSEPH, LOUISIANA  
SUMMARY STATUS OF PRIOR YEAR FINDINGS (CONCLUDED)**

**Management Letter**

***Finding:*** The Town did not adopt the budget for fiscal year ended June 30, 2004 until July 15, 2004, which was a violation of the Revised Statute 39:1308 known as the Louisiana Budget Act.

***Status:*** This finding has been corrected by the Town adopting the budget for fiscal year ended June 30, 2005 in accordance with the Louisiana Budget Act.



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

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

## MANAGEMENT LETTER

**Mayor and Board of Aldermen  
Town of St. Joseph  
P. O. Box 217  
St. Joseph, Louisiana 71366**

In planning and performing our audit of the financial statements of the Town of St. Joseph, Louisiana (the Town) for the year ended June 30, 2004 we considered its internal control structure in order to determine our auditing procedures for purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control structure or overall compliance with laws and regulations. In addition, we applied the *Checklist of Best Practices in Government* as provided by the Louisiana Legislative Auditor.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and the overall environment for compliance with laws and regulations. This letter will summarize our comments and suggestions regarding those matters. This letter does not affect our report dated March 15, 2005 on the financial statements of the Town.

### 1. Written Policies and Procedures

#### ***Finding:***

The Town's written policies and procedures are not complete. Formal written policies and procedures are necessary as a clear understanding of what should be done, how, by who and when it should be done. Also written procedures aid in the continuity of operations and for cross-training staff.

#### ***Recommendation:***

We recommend that the Town develop formal written policies and procedures as follows:

1. **Budget** – The Town should prepare written policies and procedures that include all the steps required for each phase of the budget process, including monitoring and amending the budget during the fiscal year. In addition, a time schedule for

**Mayor and Board of Aldermen  
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preparing the budget and the person responsible for each phase of the budget should be incorporated in the detailed steps.

2. **Disbursements** – The Town should ensure that funds are disbursed in a manner consistent with management's expectations. The Town should prepare written procedures for processing, reviewing, and approving disbursements. In addition, the Town should require that all disbursements be supported by adequate documentation, including documentation of the business purpose.
3. **Cellular Telephones** – The Town should adopt a formal policy that provides guidance for the business use and care of the cellular phones and the extent to which the cellular phones may be used for personal use. The board should determine the number of cellular phones needed and the individuals to whom cellular phones should be assigned. In addition, the Town should periodically monitor the minutes being used to ensure that its cellular phone contract/plan is appropriate and cost-effective.

Also, employees should be required to identify their personal calls and reimburse the Town using an appropriate standard rate per minute.

4. **Payroll** – The Town should prepare written policies and procedures for processing, reviewing, and approving payroll. Policies should address (1) employee pay provisions (salary ranges, merit increases, overtime, etc.); (2) employee leave provisions (annual, sick, compensatory); (3) employee benefits (insurance, retirement, etc.); (4) employee performance evaluations.
5. **Delinquent Utility Accounts** - The Town should adopt a formal policy for collecting delinquent utility accounts. Providing utility services after the cut-off date and not actively trying to collect delinquent account balances are prohibited by Louisiana's Constitution [Article VII, Section 14(A)].
6. **Fixed Assets** – The Town should adopt a formal policy for fixed assets, including dollar thresholds and types of assets that will be inventoried. Good internal controls over fixed assets require that (1) detailed fixed asset records be current; (2) every assets includes a tag number identifying it with a number that can be cross-referenced to the detailed fixed assets records; and (3) a physical inventory be conducted at least on an annual basis and records maintained.
7. **Ethics** – Town officials and employees are required to comply with the Louisiana Code of Government Ethics (Title 42 of the Louisiana Revised Statutes). The Town



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should adopt a Code of Ethics policy, including requiring annual certification letters from board members and employees attesting to their compliance.

8. **Confiscated Weapons and Drugs** – The Town should prepare written policies and procedures for recording, maintaining and disposing of evidence (weapons and drugs). All evidence should be tagged and inventoried, and a log maintained that includes the date confiscated, tag number, description of the weapon/drug, name of the individual from whom confiscated, reference to the arrest report, and final disposition.
9. **Traffic tickets** – The Town should prepare written policies and procedures for maintaining, issuing, and accounting for traffic tickets.

***Management's Corrective Action Plan:***

In April 2004, the Mayor informed the Board of Aldermen of the audit finding, which recommended that the town should follow the Checklist of Best Practices in Government as provided by the Louisiana Legislative Auditor. Thus, a Committee of Aldermen was established for developing written policy and procedures so that employees could understand the Aldermen's expectations. During 2004, The Committee issued written policy and procedures covering employee leave or paid time off from work. In January 2005, the Mayor reemphasized to the Aldermen the importance of written policy and procedures and joined the Committee to assist with the preparation of written policy and procedures. Presently, the Committee is developing written policy and procedures covering those areas recommended by the Legislative Auditor and more.



(A Professional Accounting Corporation)

**March 15, 2004**