
TOWN OF LUTCHER
Lutcher, Louisiana

FINANCIAL REPORT

APRIL 30, 2011

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 NOV 16 2011

TABLE OF CONTENTS

	Page No.
<u>INDEPENDENT AUDITORS' REPORTS</u>	
Independent Auditors' Report	1 - 2
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3 - 4
<u>REQUIRED SUPPLEMENTARY INFORMATION – Part I</u>	
Management's Discussion and Analysis	5 - 11
<u>BASIC FINANCIAL STATEMENTS</u>	
<u>Government-Wide Financial Statements (GWFS):</u>	
Statement of Net Assets	12
Statement of Activities	13
<u>Fund Financial Statements (FFS):</u>	
<u>Governmental Funds:</u>	
Balance Sheet	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	17
<u>Proprietary Funds:</u>	
Statement of Net Assets	18
Statement of Revenues, Expenses, and Changes in Fund Net Assets	19
Statement of Cash Flows	20 - 21
<u>Notes to the Financial Statements</u>	22 - 35

TABLE OF CONTENTS

REQUIRED SUPPLEMENTARY INFORMATION – Part II

Budgetary Comparison Schedules:

General Fund	36 - 38
Debt Service Fund	39

OTHER SUPPLEMENTARY INFORMATION

Schedule of Findings and Questioned Cost	40 - 42
Summary Schedule of Prior Audit Findings and Questioned Costs	43
Corrective Action Plan	44-45

PERFORMANCE AND STATISTICAL DATA

Insurance-in-Force (without audit)	46
Public Utility System Operations (without audit)	47 - 48
Schedule of Principal Officials and Salaries	49

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members
of the Board of Aldermen
Town of Lutcher, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of Lutcher, Louisiana, as of and for the year ended April 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Lutcher, Louisiana's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Lutcher, Louisiana, as of April 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2011, on our consideration of the Town of Lutcher, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 11 and 36 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Litcher, Louisiana's financial statements as a whole. The performance and statistical data section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Principal Officials and Salaries schedule is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Insurance-in-Force and Public Utility System Operations schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Donaldsonville - Nettenville

Donaldsonville, Louisiana
August 12, 2011



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

To the Honorable Mayor and Members
of the Board of Aldermen
Town of Lutchter, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of Town of Lutchter, Louisiana, as of and for the year ended April 30, 2011, which collectively comprise the Town of Lutchter, Louisiana's basic financial statements and have issued our report thereon dated August 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of control deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses [11-02, 11-03].

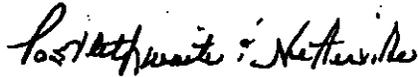
A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies [11-01].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Lutchet, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item [11-4].

The Town of Lutchet, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Lutchet, Louisiana's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Aldermen, management, others within the organization, federal awarding agencies and pass-through entities, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Donaldsonville, Louisiana
August 12, 2011



TOWN OF LUTCHER

Lutcher, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2011

This section of Town's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year that ended on April 30, 2011. Please read it in conjunction with the Town's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Town's combined total net assets increased by \$111,005 or 2.31% over the course of this year's operations. Net assets of our governmental activities increased \$75,419 or 4.12%. Net assets of our business-type activities increased \$35,586 or 1.01%.
- During the year, the Town's governmental type expenses were \$75,419 less than the \$1,127,377 generated in charges for services, taxes, and other revenue. In the Town's business-type activities, expenses were \$35,586 less than the \$1,176,586 generated in revenues.
- The general fund reported a \$250,010 fund balance for the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town's government, reporting the Town's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services, like public safety, were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer *short* and *long-term* financial information about the activities the government operates *like businesses*, such as the water and sewer system.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-1 summarizes the major features of the Town's financial statements, including the portion of the Town's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure of contents of each of the statements.

TOWN OF LUTCHER
Lutcher, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2011

Figure A-1 Major Features of Town's Government and Fund Financial Statements				
		Fund Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds	
Scope	Entire Town government (except fiduciary funds)	The activities of the Town that are not proprietary or fiduciary, such as police, drainage, and streets	Activities the Town operates similar to private businesses: the water and sewer system	
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expense, and changes in net assets • Statement of cash flows 	
Accounting basis and measurements focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	

TOWN OF LUTCHER
Lutcher, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
April 30, 2011

Government-wide Statements

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town's net assets and how they have changed. Net assets—the difference between the Town's assets and liabilities—is one way to measure the Town's financial health, or position.

- Over time, increases or decreases in the Town's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Town you need to consider additional non-financial factors such as changes in the Town's property tax base and the condition of the Town's roads.

The government-wide financial statements of the Town are divided into two categories:

- Governmental activities—Most of the Town's basic services are included here, such as the police, streets and drainage, sanitation, and general administration. Property taxes, sales taxes, franchise fees and interest finance most of these activities.
- Business-type activities—The Town charges fees to customers to help it cover the costs of certain services it provides. The Town's water and sewer system are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's most significant funds—not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.

The Town has two kinds of funds:

- Governmental funds—Most of the Town's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

TOWN OF LUTCHER
Lutcher, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
April 30, 2011

- Proprietary funds—Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.
 - In fact, the Town's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Net assets. The Town's combined net assets increased between fiscal years ended April 30, 2010 and April 30, 2011 to approximately \$4,470,556. (See Table A-1.)

	Table A-1			
	Town's Net Assets			
	Governmental Activities		Business-Type Activities	
	2011	2010	2011	2010
Current and other assets	\$ 337,674	\$621,005	\$1,082,320	\$ 1,644,259
Capital assets	1,361,837	1,027,545	1,845,452	1,426,010
Restricted Assets	351,100	328,702	176,262	172,469
Total assets	2,050,611	1,977,252	3,104,034	3,242,738
Current liabilities	112,693	86,753	338,760	340,458
Long term Liabilities	33,000	61,000	199,636	372,228
Total liabilities	145,693	147,753	538,396	712,686
Net assets				
Invested in capital assets, net of related debt	1,300,837	744,135	1,506,816	918,782
Reserved for debt service	351,100	397,265	50,427	47,121
Unrestricted (deficit)	252,981	688,099	1,008,395	1,564,149
Total net assets	\$1,904,918	\$1,829,499	\$2,565,638	\$2,530,052

Net assets of the Town's governmental activities increased 4.12 percent to \$1,904,918. Net assets of the Town's business-type activities increased 1.01 percent to approximately \$2,565,638.

Changes in net assets. The Town's total revenues for the year ended April 30, 2011 increased by \$145,525 to \$2,293,821. Approximately 59 percent of the Town's revenue comes from charges for services and 17.04 percent comes from tax collections.

The Town's total expenses for the year ended April 30, 2011 decreased by \$70,884 to \$2,192,958. Approximately 47.97 percent of the Town's expenses come from its business-type activities and 52.03 percent come from its governmental activities. (See Table A-2)

TOWN OF LUTCHER
Lutcher, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
April 30, 2011

Governmental Activities

Revenues for the Town's governmental activities increased by \$192,229 or 20.56 percent. Approximately 34.67 percent of these revenues come from taxes and 20.17 percent come from charges for services.

Expenses for the Town's governmental activities increased by \$9,501 or 0.91 percent. Approximately 36.73 percent of these expenses come from streets and drainage activities and 23.76 percent come from general government activities.

Table A-2				
Changes in Town's Net Assets				
	Governmental Activities		Business-Type Activities	
	2011	2010	2011	2010
Revenues				
Program revenues				
Charges for services	\$ 227,405	\$ 232,271	\$ 1,139,916	\$ 1,117,683
Capital grants and contributions	266,020	795	-	34,655
Operating grants and contributions	7,636	7,427	-	34,449
General revenues				
Taxes	390,825	426,333	-	-
Commissions	90,771	87,944	-	-
Licenses and permits	120,196	123,177	-	-
Fines and forfeitures	10,982	12,519	-	-
Other revenues	13,542	44,682	36,670	26,361
Total revenues	1,127,377	935,148	1,166,444	1,213,148
Expenses				
General government	249,961	241,183	-	-
Streets and Drainage	386,404	322,469	-	-
Public Safety	169,889	233,165	-	-
Sanitation	241,290	238,106	-	-
Debt Service	4,414	7,534	-	-
Water	-	-	500,758	519,464
Sewer	-	-	640,242	701,921
Total expenses	1,051,958	1,042,457	1,141,000	1,221,385
Other Financing Resources (Uses)				
Transfers In	-	200,000	-	62,360
Transfers Out	-	(28,360)	-	(234,000)
Total Other Financing Resources (Uses)	-	171,640	-	(171,640)
Increase (decrease) in net assets	75,419	64,331	35,586	(179,877)
Beginning Net Assets	1,829,499	1,765,168	2,530,052	2,709,929
Ending Net Assets	\$1,904,918	\$ 1,829,499	\$2,565,638	\$2,530,052

TOWN OF LUTCHER
Lutcher, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
April 30, 2011

Business-type Activities

Revenues for the Town's business-type activities decreased by \$46,704 or 3.85 percent. Approximately 96.86 percent of these revenues come from charges for services.

Expenses for the Town's business-type activities decreased by \$80,385 or 6.58 percent. Approximately 56.11 percent of these expenses come from sewer activities and 43.89 percent comes from water activities.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As the Town completed the year, its governmental funds reported a combined fund balance of \$604,321, a decrease of \$323,390 or 34.86 percent from last year.

General Fund Budgetary Highlights

The Town Council amended its original budget for the fiscal year. Actual revenues fell below budgeted revenues by \$69,004, while actual expenditures were approximately \$44,090 more than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At the end of April 30, 2011, the Town had invested \$3,207,289 in a broad range of capital assets, including police equipment, buildings, vehicles, and water and sewer systems. (See Table A-3) This amount represents a net increase (including additions and deductions) of approximately \$753,734 or 30.72 percent, compared to last year.

More information about the Town's capital assets is presented in Note 2 to the financial statements.

	Governmental Activities		Business Activities	
	2011	2010	2011	2010
Land and Improvements	\$ 49,005	\$ 49,005	\$ 49,925	\$ 49,925
Buildings and Improvements	282,657	261,336	-	-
Lutcher Park	345,635	345,635	-	-
Streets	821,569	305,297	-	-
Drainage	408,535	393,736	-	-
Equipment	286,394	301,708	145,777	144,742
Construction in Progress	-	157,410	80,809	104,393
Water and Sewer Facility and System	-	-	6,858,152	6,198,983
Less: Accumulated Depreciation	(831,958)	(786,582)	(5,289,211)	(5,072,033)
Total	\$ 1,361,837	\$1,027,545	\$1,845,452	\$1,426,010

This year's major capital asset additions included:

- Street improvements to King Avenue totaling \$358,863
- Improvements to the Wastewater Treatment Plant totaling \$603,760

TOWN OF LUTCHER

Lutcher, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2011

The Town's fiscal year 2011-2012 capital budget estimates the spending of approximately \$350,000 for the reinforcement of levees and dredging generators, \$425,000 for updates and repairs to the Sewer Treatment Facility, and \$410,000 for Water Improvement Projects. The Town has applied for grants for Water Improvement Projects which include improvements to the Water intake structure; some of these funds have not been approved thus far.

Long-term debt. At the end of the current fiscal year, the Town had bonded debt outstanding of \$433,228 as compared to \$664,829 in the prior year, a decrease of \$231,601 or 34.84 percent. (See Table A-4) This decrease is due to payments of annual requirements. More information about the Town's long-term liabilities is presented in Note 3 to the financial statements.

	Governmental Activities		Business Activities	
	2011	2010	2011	2010
General Obligation Bonds	\$ 61,000	\$ 126,000	\$ -	\$ -
Sewer Revenue Bonds	-	-	372,228	538,829
Total	\$ 61,000	\$ 126,000	\$ 372,228	\$ 538,829

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's major sources of revenue for the general fund are comprised from taxes (sales & property), garbage fees, licenses and permits, and Town Hall - Recovery grant funds at 25%, 19%, 10% and 27%, respectively. The economy is not expected to generate any significant growth. Expenditures are expected to increase in the streets and drainage department for capital improvements to the streets. Expenditures are also expected to increase in the sewer and water funds for improvements to the water system.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mrs. Vanessa Roussel, Town Clerk, PO Box 456, Lutcher, LA 70071.

TOWN OF LUTCHER
Lutcher, Louisiana
STATEMENT OF NET ASSETS
APRIL 30, 2011

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash	\$ 174,948	\$ 856,461	\$ 1,031,409
Certificates of deposit	103,539	10,000	113,539
Receivables:			
Taxes	32,388	-	32,388
Accounts, net	25,678	188,803	214,481
Other receivables	1,121	57	1,178
Prepaid insurance	-	10,357	10,357
Restricted assets:			
Cash	151,100	132,892	283,992
Certificates of deposit	200,000	-	200,000
Investments	-	43,370	43,370
Capital assets (net)	1,361,837	1,845,452	3,207,289
Bond issue costs (net)	-	16,642	16,642
Total assets	2,050,611	3,104,034	5,154,645
LIABILITIES			
Accounts payable	71,042	55,385	126,427
Customer service meter deposits	-	89,275	89,275
Accrued payables	13,651	21,508	35,159
Long-term liabilities			
Due within one year	28,000	172,592	200,592
Due in more than one year	33,000	199,636	232,636
Total liabilities	145,693	538,396	684,089
NET ASSETS			
Invested in capital assets, net of related debt	1,300,837	1,506,816	2,807,653
Restricted for			
Debt service	351,100	50,427	401,527
Unrestricted	252,981	1,008,395	1,261,376
Total net assets	\$ 1,904,918	\$ 2,565,638	\$ 4,470,556

The accompanying notes are an integral part of this statement.

TOWN OF LUTCHER
Lutcher, Louisiana

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2011

Functions/Programs	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
Functions:							
Governmental activities:							
General government	\$ 249,961	\$ -	\$ -	\$ -	\$ (249,961)	\$ -	\$ (249,961)
Streets and drainage	386,404	-	-	266,020	(120,384)	-	(120,384)
Public safety	169,889	-	7,636	-	(162,253)	-	(162,253)
Sanitation	241,290	227,405	-	-	(13,885)	-	(13,885)
Debt service	4,414	-	-	-	(4,414)	-	(4,414)
Total governmental activities	1,051,958	227,405	7,636	266,020	(550,897)	-	(550,897)
Business-type activities:							
Sewer	640,242	746,356	-	-	-	106,114	106,114
Water	500,758	393,560	-	-	-	(107,198)	(107,198)
Total business-type activities	1,141,000	1,139,916	-	-	-	(1,084)	(1,084)
Total primary government	\$ 2,192,958	\$ 1,367,321	\$ 7,636	\$ 266,020	(550,897)	(1,084)	(551,981)
General revenues							
Taxes:							
Ad valorem					195,533	-	195,533
Sales taxes					195,292	-	195,292
Commissions					90,771	-	90,771
Licenses and permits					120,196	-	120,196
Fines and forfeitures					10,982	-	10,982
Other revenue					13,542	36,670	50,212
Total general revenues and transfers					626,316	36,670	662,986
Change in net assets					75,419	35,586	111,005
Net assets, beginning					1,829,499	2,530,052	4,359,551
Net assets, ending					\$ 1,904,918	\$ 2,565,638	\$ 4,470,556

The accompanying notes are an integral part of this statement.

TOWN OF LUTCHER
Lutcher, Louisiana
GOVERNMENTAL FUNDS
BALANCE SHEET
APRIL 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash	\$ 174,948	\$ -	\$ 174,948
Certificates of deposit	103,539	-	103,539
Receivables:			
Taxes	26,290	6,098	32,388
Interest	307	145	452
Accounts, net	26,347	-	26,347
Restricted assets:			
Cash	-	151,100	151,100
Certificates of deposit	-	200,000	200,000
Total assets	<u>\$ 331,431</u>	<u>\$ 357,343</u>	<u>\$ 688,774</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 71,042	\$ -	\$ 71,042
Accrued payables	10,379	3,032	13,411
Total liabilities	<u>81,421</u>	<u>3,032</u>	<u>84,453</u>
<u>FUND BALANCE</u>			
Reserved for			
Debt service	-	351,100	351,100
Unreserved, reported in			
Debt service fund	-	3,211	3,211
General fund	250,010	-	250,010
Total fund equity	<u>250,010</u>	<u>354,311</u>	<u>604,321</u>
Total liabilities and fund balance	<u>\$ 331,431</u>	<u>\$ 357,343</u>	<u>\$ 688,774</u>

The accompanying notes are an integral part of this statement.

TOWN OF LUTCHER

Lutcher, Louisiana

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET

TO THE STATEMENT OF NET ASSETS

APRIL 30, 2011

Total fund balances - governmental funds		\$	604,321
Cost of capital assets at April 30, 2011	2,193,795		
Less: accumulated depreciation as of April 30, 2011	<u>(831,958)</u>		1,361,837
Long-term liabilities at April 30, 2011			
Bonds payable	(61,000)		
Accrued interest payable	<u>(240)</u>		<u>(61,240)</u>
Total net assets at April 30, 2011 - governmental activities		\$	<u>1,904,918</u>

The accompanying notes are an integral part of this statement.

TOWN OF LUTCHERLutcher, Louisiana**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****ALL GOVERNMENTAL FUNDS****YEAR ENDED APRIL 30, 2011**

	General	Debt Service	Total Governmental Funds
<u>REVENUES</u>			
Ad valorem taxes	\$ 103,946	\$ 91,587	\$ 195,533
Taxes	195,292	-	195,292
Commissions	90,771	-	90,771
Garbage fees	227,405	-	227,405
Licenses and permits	120,196	-	120,196
Intergovernmental revenue	277,761	-	277,761
Fines and forfeitures	10,982	-	10,982
Interest revenue	952	1,379	2,331
Other revenue	7,106	-	7,106
Total revenues	1,034,411	92,966	1,127,377
<u>EXPENDITURES</u>			
Current operating expenditures:			
General government	258,120	-	258,120
Streets and drainage	712,779	-	712,779
Public safety	168,908	-	168,908
Sanitation	241,290	-	241,290
Debt service expenditures:			
Principal retirement	-	65,000	65,000
Interest	-	4,670	4,670
Total expenditures	1,381,097	69,670	1,450,767
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>	(346,686)	23,296	(323,390)
Net change in fund balance	(346,686)	23,296	(323,390)
<u>FUND BALANCE</u>			
Beginning of year	596,696	331,015	927,711
End of year	\$ 250,010	\$ 354,311	\$ 604,321

The accompanying notes are an integral part of this statement.

TOWN OF LUTCHER

Lutcher, Louisiana

**RECONCILIATION OF THE GOVERNMENTAL FUNDS -
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2011**

Total net changes in fund balance - governmental funds		\$	(323,390)
Prepaid insurance:			(739)
Capital assets:			
Capital outlay capitalized	406,568		
Depreciation expense for the year ended April 30, 2011	<u>(72,276)</u>		334,292
Long-term debt:			
Principal portion of debt service payments	65,000		
Excess of interest paid over interest accrued	<u>256</u>		<u>65,256</u>
Change in net assets - governmental activities		\$	<u>75,419</u>

The accompanying notes are an integral part of this statement.

TOWN OF LUTCHER
Lutcher, Louisiana
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
APRIL 30, 2011

	Sewer Fund	Water Fund	Total
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash	\$ 750,799	\$ 105,662	\$ 856,461
Certificates of deposit	-	10,000	10,000
Accounts receivable (net of allowance for uncollectibles)	127,040	61,763	188,803
Other current assets	3,307	7,107	10,414
Total current assets	881,146	184,532	1,065,678
<u>NONCURRENT ASSETS</u>			
<u>RESTRICTED ASSETS</u>			
Cash	84,019	48,873	132,892
Investments	-	43,370	43,370
Total restricted assets	84,019	92,243	176,262
Capital assets, net	1,305,250	540,202	1,845,452
Bond issue costs (net)	16,642	-	16,642
Total noncurrent assets	1,405,911	632,445	2,038,356
Total assets	2,287,057	816,977	3,104,034
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable	14,594	40,791	55,385
Customer meter deposits	-	89,275	89,275
Accrued payables	10,790	10,718	21,508
Revenue bonds payable	172,592	-	172,592
Total current liabilities	197,976	140,784	338,760
<u>NONCURRENT LIABILITIES</u>			
Revenue bonds payable	199,636	-	199,636
Total noncurrent liabilities	199,636	-	199,636
Total liabilities	397,612	140,784	538,396
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	966,614	540,202	1,506,816
Restricted for debt service	50,427	-	50,427
Unrestricted	872,404	135,991	1,008,395
Total net assets	\$ 1,889,445	\$ 676,193	\$ 2,565,638

The accompanying notes are an integral part of this statement.

TOWN OF LUTCHER**Lutcher, Louisiana****PROPRIETARY FUNDS****STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS****YEAR ENDED APRIL 30, 2011**

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
<u>OPERATING REVENUES</u>			
Charges for service			
Sales	\$ 299,534	\$ 381,390	\$ 680,924
Use of oxidation pond	438,728	-	438,728
Delinquent charges	8,094	12,170	20,264
Miscellaneous revenues	9,748	25,686	35,434
Total operating revenues	<u>756,104</u>	<u>419,246</u>	<u>1,175,350</u>
<u>OPERATING EXPENSES</u>			
Professional services	10,779	10,890	21,669
Payroll taxes	10,260	12,179	22,439
Retirement	7,454	8,029	15,483
Insurance	62,760	91,952	154,712
Office supplies and postage	1,004	6,181	7,185
Miscellaneous	37,404	50,386	87,790
Salaries	145,817	169,845	315,662
Oxidation pond/water plant analysis and treatment	10,868	6,364	17,232
Electricity	74,393	28,188	102,581
Materials, supplies, and repairs	87,523	63,950	151,473
Depreciation	167,883	52,794	220,677
Total operating expenses	<u>616,145</u>	<u>500,758</u>	<u>1,116,903</u>
<u>OPERATING INCOME (LOSS)</u>	<u>139,959</u>	<u>(81,512)</u>	<u>58,447</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Interest revenue	106	1,130	1,236
Interest expense	(24,097)	-	(24,097)
Total nonoperating revenues (expenses)	<u>(23,991)</u>	<u>1,130</u>	<u>(22,861)</u>
<u>CHANGE IN NET ASSETS</u>	115,968	(80,382)	35,586
Net assets, beginning	<u>1,773,477</u>	<u>756,575</u>	<u>2,530,052</u>
Net assets, ending	<u>\$ 1,889,445</u>	<u>\$ 676,193</u>	<u>\$ 2,565,638</u>

The accompanying notes are an integral part of this statement.

TOWN OF LUTCHER
Lutcher, Louisiana
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED APRIL 30, 2011

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Cash received from customers	\$ 735,835	\$ 382,495	\$ 1,118,330
Cash paid to employees and suppliers	(449,387)	(464,574)	(913,961)
Other receipts from operations	9,748	25,686	35,434
Net cash provided by operating activities	<u>296,196</u>	<u>(56,393)</u>	<u>239,803</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Purchases of certificates of deposit and investments	-	(11,234)	(11,234)
Maturities of certificates of deposit and investments	-	30,501	30,501
Interest and dividends from investments	106	1,130	1,236
Net cash provided by (used in) investing activities	<u>106</u>	<u>20,397</u>	<u>20,503</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Acquisition of capital assets	(611,806)	(28,313)	(640,119)
Principal payments on long-term debt	(166,601)	-	(166,601)
Interest paid on long-term debt	(24,097)	-	(24,097)
Net cash used in capital and related financing activities	<u>(802,504)</u>	<u>(28,313)</u>	<u>(830,817)</u>
Net increase in cash and cash equivalents	(506,202)	(64,309)	(570,511)
Cash and cash equivalents - beginning of year	<u>1,341,020</u>	<u>218,844</u>	<u>1,559,864</u>
Cash and cash equivalents - end of year	<u>\$ 834,818</u>	<u>\$ 154,535</u>	<u>\$ 989,353</u>
Cash and cash equivalents - end of year			
Cash - current	\$ 750,799	\$ 105,662	\$ 856,461
Cash - restricted	84,019	48,873	132,892
	<u>\$ 834,818</u>	<u>\$ 154,535</u>	<u>\$ 989,353</u>

The accompanying notes are an integral part of this statement.

TOWN OF LUTCHER
Lutcher, Louisiana
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED APRIL 30, 2011

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET</u>			
<u>CASH PROVIDED BY OPERATING ACTIVITIES:</u>			
Operating income (loss)	\$ 139,959	\$ (81,512)	\$ 58,447
Adjustments to reconcile operating loss to net cash provided by operating activities -			
Depreciation	167,883	52,794	220,677
Bad debt provision	(3,529)	(2,926)	(6,455)
Amortization of bond issue costs	6,003	-	6,003
Changes in assets and liabilities -			
Increase in receivables	(10,521)	(11,065)	(21,586)
(Increase) decrease in prepaid expenses and other assets	(2,899)	(6,695)	(9,594)
Increase in accounts payable and other liabilities	(700)	(6,989)	(7,689)
Net cash provided by operating activities	<u>296,196</u>	<u>(56,393)</u>	<u>239,803</u>

The accompanying notes are an integral part of this statement.

TOWN OF LUTCHER
Lutcher, Louisiana

NOTES TO FINANCIAL STATEMENTS
April 30, 2011

1. **Summary of Significant Accounting Policies**

The Town of Lutcher, Louisiana was incorporated on March 13, 1912, and operates under a Mayor - Board of Aldermen form of government. As authorized by its charter, the Town is responsible for public safety, highways and streets, sanitation, public improvements, and general administrative services.

The accounting and reporting practices of the Town of Lutcher conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Town's reporting entity applies all relevant Government Accounting Standards (GASB) pronouncements. The Town's proprietary fund applies all Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB pronouncements prevail. Such accounting and reporting procedures conform to the requirements of Louisiana Revised Statute 24:517, to the guidance set forth in the *Louisiana Governmental Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units* published by the American Institute of Certified Public Accountants.

Financial Reporting Entity

Statement No. 14 of the Governmental Accounting Standards Board (GASB), *The Financial Reporting Entity*, establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Since the Town is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments, it is considered a primary government under the provisions of this Statement. As used in GASB Statement No. 14, fiscally independent means that the Town may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. Additionally, the Town does not have any component units, which are defined by GASB Statement No. 14 as other legally separate organizations for which the elected officials are financially accountable. There are no other primary governments with which the Town has a significant relationship.

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

Basis of Presentation, Basis of Accounting

Government-wide Statements: The statement of net assets and the statement of activities display information about the Town of Lutcher. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between *the governmental and business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

TOWN OF LUTCHER
Lutcher, Louisiana

NOTES TO FINANCIAL STATEMENTS
April 30, 2011

1. **Summary of Significant Accounting Policies** (continued)

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category—*governmental and proprietary*—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major governmental funds:

- a. General Fund – This is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- b. Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal, interest and related costs on general long-term debt.

The Town reports the following major enterprise funds:

- a. Water Fund – This fund is used to account for operations, (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing the goods or services to the general public on a continuing basis be financed or recovered through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.
- b. Sewer Fund – This fund is used to account for operations, (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing the goods or services to the general public on a continuing basis be financed or recovered through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

TOWN OF LUTCHER
Lutcher, Louisiana

NOTES TO FINANCIAL STATEMENTS
April 30, 2011

1. **Summary of Significant Accounting Policies** (continued)

Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Parish gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities of the Town follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

TOWN OF LUTCHER
Lutcher, Louisiana

NOTES TO FINANCIAL STATEMENTS

April 30, 2011

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Budgets and Budgetary Accounting

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

1. A proposed budget is prepared and submitted to the Mayor and Board of Aldermen prior to the beginning of each fiscal year.
2. The proposed budget is published in the official journal and made available for public inspection. A public hearing is held to obtain taxpayer comments.
3. The budget is adopted through the passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
4. 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 originally estimated require the approval of the Board of Aldermen.
5. All budgetary appropriations lapse at the end of each fiscal year.
6. Budgets for the general, debt service, and proprietary funds are adopted on bases consistent with accounting principles generally accepted in the United States of America (GAAP).
7. Louisiana R.S. 39:1310 requires budgets to be amended when revenue collections plus projected revenue collections for the remainder of a year, within a fund, are failing to meet estimated annual budgeted revenues by five percent or more or expenditures plus projected expenditures for the remainder of the year, within a fund, are exceeding estimated budgeted expenditures by five percent or more.

The level of budgetary control is total appropriations. Budgeted amounts included in the financial statements include the original adopted budget, and the final amended budget.

TOWN OF LUTCHER
Lutcher, Louisiana

NOTES TO FINANCIAL STATEMENTS
April 30, 2011

1. **Summary of Significant Accounting Policies** (continued)

Cash and Investments

Cash and investments, which include demand deposit accounts, interest-bearing demand deposit accounts, certificates of deposit, and federal obligations are stated at market value. Under Louisiana Revised Statutes 39:1271 and 33:2955, the Town may deposit funds in obligations of the U.S. Treasury and U.S. agencies, demand deposit accounts, interest-bearing demand deposit accounts, money market accounts, and time certificates of deposit with state banks organized under Louisiana law and national banks having principal offices in Louisiana.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Town has elected not to report major general infrastructure assets retroactively. The Town began reporting infrastructure assets beginning May 1, 2005.

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	7-40 years
Land Improvements	20 years
Lutcher Park	20-40 years
Streets	20 years
Drainage	20-25 years
Equipment	5-20 years

The proprietary fund type operations are accounted for on a cost of services or "capital maintenance" measurement focus, and all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets.

Depreciation of all exhaustible fixed assets used by the proprietary funds is charged as an expense against their operations. Depreciation has been provided over the assets' estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Sewerage system	40 years
Waterworks system	40 years
Office equipment	5-10 years
Automotive equipment	3-5 years

All fixed assets are stated at historical cost.

TOWN OF LUTCHER
Lutcher, Louisiana

NOTES TO FINANCIAL STATEMENTS
April 30, 2011

1. **Summary of Significant Accounting Policies** (continued)

Accounts Receivable

Uncollectible amounts due from customers for utility services are recognized through the establishment of an allowance for uncollectible accounts account at the time information becomes available which indicates the uncollectibility of the particular receivable.

Accumulated Unpaid Vacation

Employees earn vacation leave at various rates depending upon the length of their employment. Amounts of vested or accumulated vacation leave are expected to be liquidated with expendable available financial resources of the general fund and are reported as an expenditure and liability of the fund as the benefits accrue to employees. Vested or accumulated vacation leave of business-type funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

Interfund Balances / Transfers

Advances between funds which are not expected to be repaid are accounted for as transfers. In those cases where repayment is expected, the transfers are accounted for through the various due from and due to accounts.

Statements of Cash Flows

For purposes of the statements of cash flows, the Town considers all highly liquid investments (including restricted assets) with original maturities of three months or less to be cash equivalents.

Encumbrances

Encumbrance accounting, under which contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town.

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. The Town carries commercial insurance for all risks of loss.

TOWN OF LUTCHER
Lutcher, Louisiana

NOTES TO FINANCIAL STATEMENTS
April 30, 2011

2. Capital Assets

Capital assets and depreciation activity as of and for the year ended April 30, 2011, are as follows:

Governmental activities:

	Land and Improvements	Buildings and Improvements	Lutcher Park	Streets	Drainage	Equipment	Construction in progress	Total
Cost at April 30, 2010	\$ 49,005	\$ 261,336	\$345,635	\$305,297	\$393,736	\$ 301,708	\$ 157,410	\$1,814,127
Additions	-	21,321	-	516,272	14,799	11,586	(157,410)	406,568
Deletions	-	-	-	-	-	(26,900)	-	(26,900)
Cost of Capital Assets April 30, 2011	49,005	282,657	345,635	821,569	408,535	\$ 286,394	\$ -	\$2,193,795
Accum depreciation April 30, 2010	2,604	168,660	265,940	60,155	67,755	221,468	-	786,582
Additions	496	6,643	3,536	20,272	20,019	21,310	-	72,276
Deletions	-	-	-	-	-	(26,900)	-	(26,900)
Accum depreciation April 30, 2011	3,100	175,303	269,476	80,427	87,774	215,878	-	831,958
Capital Assets, net of accum depreciation at April 30, 2011	\$ 45,905	\$ 107,354	\$ 76,159	\$741,142	\$320,761	\$ 70,516	\$ -	\$1,361,837

Depreciation expense of \$72,276 for the year ended April 30, 2011 was charged to the following governmental functions:

General Government	\$ 12,423
Streets and Drainage	51,536
Public Safety	8,317
	<u>\$ 72,276</u>

TOWN OF LUTCHER
Lutcher, Louisiana

NOTES TO FINANCIAL STATEMENTS
April 30, 2011

2. **Capital Assets** (continued)

Business-type activities:

	Land and Improvements	Water and Sewer Facility and System	Equipment	Construction in Progress	Total
Total Cost of Capital Assets					
April 30, 2010	\$ 49,925	\$ 6,198,983	\$ 144,742	\$ 104,393	\$ 6,498,043
Additions	-	659,169	4,534	(23,587)	640,116
Deletions	-	-	(3,499)	-	(3,499)
Cost of Capital Assets					
April 30, 2011	49,925	6,858,152	145,777	80,809	7,134,663
Accumulated depreciation					
April 30, 2010	15,055	4,950,109	106,869	-	5,072,033
Additions	16	211,629	9,032	-	220,677
Deletions	-	-	(3,499)	-	(3,499)
Accumulated depreciation					
April 30, 2011	15,071	5,161,738	112,402	-	5,289,211
Capital Assets, net of accumulated depreciation at					
April 30, 2011	\$ 34,854	\$ 1,696,414	\$ 33,375	\$ 80,809	\$1,845,452

TOWN OF LUTCHER
Lutcher, Louisiana

NOTES TO FINANCIAL STATEMENTS
April 30, 2011

3. Changes in Long-Term Debt

The following is a summary of long-term debt transactions which occurred during the year ended April 30, 2011:

	<u>Balance 4/30/10</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 4/30/11</u>
Governmental activities:				
General Obligation Refunding Bonds, Series 1998	\$ 126,000	\$ -	\$ 65,000	\$ 61,000
	<u>\$ 126,000</u>	<u>\$ -</u>	<u>\$ 65,000</u>	<u>\$ 61,000</u>
Business-type activities:				
Sewer Revenue Bonds, Series 1992	\$ 81,439	\$ -	\$ 31,601	\$ 49,838
Sewer Revenue Bonds, Series 2005	40,390	-	-	40,390
Sewer Revenue Bonds, Series 2009	417,000	-	135,000	282,000
	<u>\$ 538,829</u>	<u>\$ -</u>	<u>\$ 166,601</u>	<u>\$ 372,228</u>

Bonds payable at April 30, 2011 were comprised of the following individual issues:

Governmental activities:

Debt Service Fund

\$573,000 of General Obligation Refunding Bonds, Series 1998; due in various semi-annual installments, including interest at 4.89%, through October 12, 2012.

\$ 61,000

Business-type activities:

Sewer Fund

\$400,000 of Sewer Revenue Bonds; due in monthly installments of \$2,976, including interest at 6.125%, through October 5, 2012.

\$ 49,838

\$840,000 of Sewer Revenue Bonds; when fully funded due in various annual installments that will include interest at 3.45% and an administrative fee of .50%, through October 1, 2006

\$ 40,390

\$550,000 of Sewer Revenue Bonds; when fully funded due in various annual installments that will include interest at 4.0%, through December 1, 2012

\$ 282,000

\$ 372,228

TOWN OF LUTCHER
Lutcher, Louisiana

NOTES TO FINANCIAL STATEMENTS
April 30, 2011

3. Changes in Long-Term Debt (continued)

The annual requirements to amortize all debt outstanding as of April 30, 2011, including interest payments of \$13,295, are as follows:

Year ending April 30,	Principal	Interest	Total
2012	\$ 200,592	\$ 9,353	\$ 209,945
2013	192,247	3,942	196,189
2014	-	-	-
2015- thereafter	40,389	-	40,389
	<u>\$ 433,228</u>	<u>\$ 13,295</u>	<u>\$ 446,523</u>

As part of the various Bond agreements the Town has agreed to comply with certain covenants. The covenants consist, primarily, of reporting and audit requirements, maintenance of various deposit accounts and funds, and other administrative requirements.

4. Ad Valorem Taxes

Ad valorem taxes attach as enforceable liens on all applicable property on February 28th of each year. Taxes are levied and are billed to the taxpayers in November of each year. Billed ad valorem taxes become delinquent on January 1st of the following calendar year.

The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of St. James Parish. During the year ended April 30, 2011 taxes of 7 mills were levied on property with assessed valuations totaling \$13,997,286 for general purposes. Additional taxes of 6.6 mills were levied on the same property for the purpose of accumulating enough funds to service the annual debt requirements as they become due.

Ad valorem taxes levied during the year ended April 30, 2011 totaled approximately \$190,365.

5. Individual Funds with Deficits

Expenses / expenditures exceeded revenues during the fiscal year ended April 30, 2011 for the following funds:

General Fund	\$ 346,686
Water Fund	80,382

The deficit was covered by the fund balance carried forward from previous years.

TOWN OF LUTCHER
Lutcher, Louisiana

NOTES TO FINANCIAL STATEMENTS
April 30, 2011

6. Defined Benefit Pension Plan

Substantially all employees of the Town of Lutcher are members of either the Municipal Employees' Retirement System of Louisiana or the Municipal Police Employees' Retirement System of Louisiana. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

a. Municipal Employees' Retirement System of Louisiana (System)

Plan Description. The System is composed of two distinct plans, Plan A and Plan B, which has separate assets and benefit provisions. All employees of the Town of Lutcher are members of Plan B.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan B, employees who retire at or after the age of 60 with at least 10 years of creditable service or at or after the age of 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2 percent of their final-average monthly salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3% for each year retirement precedes age 62, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100% of final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Funding Policy. Under Plan B, members are required by state statute to contribute 5.0 percent of their annual covered salary, and the Town of Lutcher is required to contribute at an actuarially determined rate. The rate being paid by the Town was 6.75 percent of annual covered payroll for the period 5/1/2010 – 4/30/11. Contributions to the System also include 0.25 percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town of Lutcher are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Lutcher's contributions to the System under Plan B during the year ending April 30, 2011, 2010, and 2009 were \$21,736, \$28,632, and \$23,370, respectively. These amounts were equal to the required contributions for each year.

TOWN OF LUTCHER
Lutcher, Louisiana

NOTES TO FINANCIAL STATEMENTS
April 30, 2011

7. Segments of Enterprise Activities

Water and sewerage services are provided by the Town and are financed by user charges. The significant financial data for the year ended April 30, 2011 for these services are as follows:

	Sewer Fund	Water Fund	Total
Operating revenues	\$ 756,104	\$ 419,246	\$ 1,175,350
Depreciation	\$ 167,883	\$ 52,794	\$ 220,677
Income (loss) from operations	\$ 139,959	\$ (81,512)	\$ 58,447
Net income (loss)	\$ 115,968	\$ (80,382)	\$ 35,586
Acquisitions of capital assets	\$ 611,806	\$ 28,313	\$ 640,119
Net working capital	\$ 678,960	\$ 37,816	\$ 716,776
Total assets	\$ 2,287,057	\$ 816,977	\$ 3,104,034
Outstanding revenue bonds	\$ 372,228	\$ -	\$ 372,228
Total equity	\$ 1,889,445	\$ 676,193	\$ 2,565,638

8. Restricted Assets

Under the terms of the bond indentures for the general obligation bonds and the sewer revenue bonds, certain revenues are dedicated to the retirement of said bonds, and are to be set aside into special accounts after provisions have been made for the payment of the reasonable and necessary expenses of operating and maintaining the utility systems.

As of April 30, 2011, the Town was in compliance with all related debt covenants.

9. Cash and Certificates of Deposit

At April 30, 2011, the carrying amounts of the Town's deposits were as follows:

Petty cash	\$ 150
Demand deposit accounts / savings accounts	1,315,251
Total	1,315,401
Certificates of deposit	313,539
Total deposits	<u>\$ 1,628,940</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits must be secured by either federal deposit insurance or by the pledge of securities owned by a fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank.

TOWN OF LUTCHER
Lutcher, Louisiana

NOTES TO FINANCIAL STATEMENTS
April 30, 2011

10. Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. To mitigate this risk, state law requires deposits to be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent financial institution. At April 30, 2011, the Town's bank balances totaled \$1,694,336. Of these bank balances, \$750,000 was covered by federal depository insurance, \$6,538 was covered by securities investor protection corporation insurance, and \$937,798 was collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.

11. Investments

As of April 30, 2011, the Town had the following investments and maturities,

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>				
<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10 years</u>	
Mortgage-backed Securities	\$ 43,370	\$ -	\$ -	\$ -	\$ 43,370
Total Investments	\$ 43,370	\$ -	\$ -	\$ -	\$ 43,370

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

Credit Risk - Under Louisiana Revised Statutes 39:1271 and 33:2955, the Town may invest funds in obligations of the U.S. Treasury and U.S. agencies, demand deposit accounts, interest-bearing demand deposit accounts, money market accounts, and time certificates of deposit with state banks organized under Louisiana law and national banks having principal offices in Louisiana. The Town has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The Town does not limit on the amount the Town may invest in any one issuer. More than 5 percent of the Town's investments are in Federal National Mortgage Association, and Ginnie Mae Trust. These investments are 7.6% and 92.4%, respectively.

TOWN OF LUTCHER
Lutcher, Louisiana

NOTES TO FINANCIAL STATEMENTS
April 30, 2011

12. Reserved Fund Equity

Fund equity is reserved as follows:

	Debt Service Fund	Sewer Fund	Total
Reserved for Bond Retirement	\$ 351,100	\$ 50,427	\$ 401,527
	\$ 351,100	\$ 50,427	\$ 401,527

13. Commitments

Leases that do not meet criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred.

The following is a schedule by year of future minimum lease payments under these arrangements as of April 30, 2011, that have initial or remaining terms in excess of one year.

<u>Year Ending April 30,</u>	<u>Minimum Payments</u>
2012	\$ 237,894
2013	117,738
	\$ 355,632

14. Litigation and Claims

The Town of Lutcher is defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, the resolution of these matters is not expected to have a material adverse effect on the financial condition of the Town.

15. Subsequent Events

In preparing the financial statements, the Town of Lutcher has evaluated events and transactions for potential recognition or disclosure through October 24, 2011. The Town of Lutcher will be involved in several projects in the upcoming year. Projects include repairs to the raw water intake system, levee reinforcement/dredging generator project, and renovations to the town hall. These projects will be funded by grants and have been accounted for in the April 30, 2012 budget.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF LUTCHER
Lutcher, Louisiana
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED APRIL 30, 2011

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>
<u>REVENUES</u>			
Taxes	\$ 285,000	\$ 330,000	\$ 299,238
Commissions	102,000	102,000	90,771
Garbage fees	231,000	230,000	227,405
Licenses	124,000	136,000	120,196
Intergovernmental revenues:			
Beer	1,500	1,500	1,599
Video poker	6,000	2,500	2,506
Grants	368,000	273,600	273,656
Fines	10,000	10,000	10,982
Interest revenue	4,500	935	952
Other revenue	31,700	16,880	7,106
Total revenues	<u>1,163,700</u>	<u>1,103,415</u>	<u>1,034,411</u>
<u>EXPENDITURES</u>			
Current operating expenditures:			
General government	263,625	264,607	258,120
Streets and drainage	678,200	649,400	712,779
Public safety	253,900	182,000	168,908
Sanitation	241,000	241,000	241,290
Total expenditures	<u>1,436,725</u>	<u>1,337,007</u>	<u>1,381,097</u>
<u>EXCESS (DEFICIENCY) OF</u>			
<u>REVENUES OVER EXPENDITURES</u>	(273,025)	(233,592)	(346,686)
<u>FUND BALANCE</u>			
Beginning of year	<u>596,696</u>	<u>596,696</u>	<u>596,696</u>
End of year	<u>\$ 323,671</u>	<u>\$ 363,104</u>	<u>\$ 250,010</u>

TOWN OF LUTCHER
Lutcher, Louisiana
BUDGETARY COMPARISON SCHEDULE
SCHEDULE OF EXPENDITURES
GENERAL FUND
YEAR ENDED APRIL 30, 2011

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>
<u>GENERAL GOVERNMENT</u>			
Salaries	\$ 106,100	\$ 108,600	106,537
Planning and zoning	4,300	500	308
Professional fees	15,500	13,300	11,642
Electricity	10,000	10,000	9,616
Insurance	42,500	39,800	34,924
Supplies and maintenance	3,000	13,000	12,901
Miscellaneous	9,925	14,307	8,446
Retirement	2,500	4,500	4,620
Office expenses	22,200	21,700	19,941
Payroll taxes	8,400	8,400	7,760
Per diem	-	-	2,462
Capital outlay	22,500	12,500	21,321
Dues and subscriptions	1,500	2,300	2,311
Education and conventions	4,000	2,500	2,343
Computer	2,500	2,500	2,483
Telephone	8,700	10,700	10,505
Total general government	<u>263,625</u>	<u>264,607</u>	<u>258,120</u>
<u>STREETS AND DRAINAGE</u>			
Salaries	99,800	90,000	38,173
Miscellaneous	18,300	24,000	22,542
Gasoline, oil, and diesel	6,000	6,000	4,210
Street drainage and ditching	11,500	36,500	38,406
Street signs	2,500	3,000	5,378
Truck and tractor expense	6,000	7,500	8,191
Supplies and maintenance	44,000	76,000	127,898
Electricity	65,000	65,000	59,603
Capital Outlay	393,500	318,500	365,617
Insurance	25,500	21,300	41,128
Retirement	5,600	1,600	1,633
Uniforms	500	-	-
Total streets and drainage	<u>678,200</u>	<u>649,400</u>	<u>712,779</u>

TOWN OF LUTCHER
Lutcher, Louisiana
BUDGETARY COMPARISON SCHEDULE
SCHEDULE OF EXPENDITURES
GENERAL FUND
YEAR ENDED APRIL 30, 2011

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Amended</u> <u>Budget</u>	<u>Actual</u>
<u>PUBLIC SAFETY</u>			
Salaries	\$ 136,500	\$ 103,100	\$ 98,206
Gasoline and oil	8,200	8,200	7,361
Uniforms	1,000	1,000	-
Telephone	3,000	3,000	2,398
Insurance	25,500	44,700	42,048
Vehicle expenses	4,000	1,500	1,242
Supplies and maintenance	3,000	3,000	1,522
Office supplies	2,000	1,000	489
Payroll taxes	10,000	7,000	7,185
Printing & Publishing	-	300	235
Miscellaneous	30,700	9,200	8,222
Capital outlay	30,000	-	-
Total public safety	<u>253,900</u>	<u>182,000</u>	<u>168,908</u>
<u>SANITATION</u>			
Solid waste disposal	<u>241,000</u>	<u>241,000</u>	<u>241,290</u>
Total sanitation	<u>241,000</u>	<u>241,000</u>	<u>241,290</u>
 Total all departments	 <u>\$ 1,436,725</u>	 <u>\$ 1,337,007</u>	 <u>\$ 1,381,097</u>

TOWN OF LUTCHER
Lutcher, Louisiana
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
YEAR ENDED APRIL 30, 2011

	Original Budget	Final Amended Budget	Actual
<u>REVENUES</u>			
Ad valorem taxes	\$ 90,000	\$ 90,000	\$ 91,587
Interest revenue	1,000	1,000	1,379
Total revenues	91,000	91,000	92,966
<u>EXPENDITURES</u>			
Principal retirement	66,000	66,000	65,000
Interest	4,572	4,572	4,670
Total expenditures	70,572	70,572	69,670
<u>EXCESS OF REVENUES OVER</u>			
<u>EXPENDITURES</u>	20,428	20,428	23,296
<u>FUND BALANCE</u>			
Beginning of year	350,000	350,000	331,015
End of year	\$ 370,428	\$ 370,428	\$ 354,311

OTHER SUPPLEMENTARY INFORMATION

TOWN OF LUTCHER
Lutcher, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED APRIL 30, 2011

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the Town of Lutcher, Louisiana as of and for the year ended April 30, 2011.
2. Three significant deficiencies relating to the audit of the financial statements are reported in Part B of this Schedule. Two deficiencies (11-2, 11-3) are considered material weaknesses.
3. There was one instance of noncompliance relative to the financial statements of the Town of Lutcher, Louisiana, which would be required to be reported in accordance with *Government Auditing Standards*, that were disclosed during the audit. It is reported as 11-4.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

11-1 Documentation and Design of Internal Control

Condition: Management should improve its documentation of the components of internal control (including control environment, entity's risk, information and communication systems, control activities, and monitoring). In addition, there is inadequate design of internal control over the preparation of the financial statements being audited.

Criteria: Internal Control procedures should be adequately designed and documented.

Cause: Documentation of the design of the Town's internal control structure has not been documented by the Town's management.

Effect: Significant journal entries were proposed to allow the financial statements to accurately reflect the Town's operations.

Recommendation: Small businesses with few employees in an accounting department typically have difficulty with establishing formal internal control procedures. Although this is not a valid reason for the lack of documentation, cost effectiveness certainly needs to be considered. We suggest that management identify and document its financial statement risk and set up controls to mitigate this risk.

Management's Response: We concur with the finding. We will document the required components of internal control and establish procedures for the preparation of the audited financial statements.

TOWN OF LUTCHER
Lutcher, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED APRIL 30, 2011

MATERIAL WEAKNESS

11-2 Segregation of Duties

Condition: There is inadequate segregation of duties within the Town's accounting department. In addition, certain procedures that could help to mitigate this weakness are currently not being performed. Those procedures could include but are not limited to the following:

- A review of non-routine transactions over the period-end financial reporting process.

Criteria: Segregation of duties should be adequate within the Town's accounting department to provide effective internal control.

Cause: The Town's accounting staff is limited to two individuals.

Effect: The segregation of duties is inadequate to provide effective internal control.

Recommendation: Understanding that the Town's size may make it unfeasible to adequately staff an accounting department sufficient to segregate duties, we recommend that management consider the following:

- During preparation of monthly financial statements, management should review all journal entries necessary for the complete and accurate presentation of these statements.

Management's Response: We concur with the finding and will review period end journal entries

11-3 Segregation of Duties

Condition: There is inadequate segregation of duties within the Town's utility collections department. In addition, certain procedures that could help to mitigate this weakness are currently not being performed. Those procedures could include but are not limited to the following:

- Segregation of duties for monthly billings/mailings to someone other than the utility clerk.
- Detailed monthly review of delinquent and aging reports to monitor delinquent customer accounts by management.

Criteria: Segregation of duties should be adequate within the Town's utility collections department to provide effective internal control.

Cause: The Town's utility collections staff is limited to one individual.

Effect: The segregation of duties is inadequate to provide effective internal control.

TOWN OF LUTCHER
Lutcher, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED APRIL 30, 2011

11-3 Segregation of Duties (continued)

Recommendation: Understanding that the Town's size may make it unfeasible to adequately staff an accounting department sufficient to segregate duties, we recommend that management consider the following:

- An employee other than the utility clerk should prepare monthly billings/mailings.
- A detailed review performed by the Town Clerk of the delinquent and aging report on a monthly basis to monitor the delinquency of customer accounts.

Management's Response: We concur with the finding and will implement the recommendations.

COMPLIANCE WITH STATE LAWS AND REGULATIONS

11-4 Louisiana Budget Law

Condition: Louisiana Revised Statute 39:1311A(1) requires that the budget shall be amended when total revenue and other sources plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more.

Criteria: The actual revenues of the General Fund failed to meet budgeted revenues by six percent.

Cause: The General Fund budget was not amended to reflect the shortfall of actual revenues.

Effect: The negative variance of expenditures of more than five percent is a violation of Louisiana Revised Statute 39:1311A(1).

Recommendation: The Town shall advise the governing authority in writing when total actual revenues and other sources plus projected revenues and other sources for the remainder of a year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more.

Management's Response: We concur with the finding. Budgets will be monitored closely and appropriate amendments to the budget will be made.

TOWN OF LUTCHER
Lutcher, Louisiana

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

YEAR ENDED APRIL 30, 2011

SIGNIFICANT DEFICIENCIES

10-1 Documentation and Design of Internal Control

Condition: Management should improve its documentation of the components of internal control (including control environment, entity's risk, information and communication systems, control activities, and monitoring). In addition, there is inadequate design of internal control over the preparation of the financial statements being audited.

Current Status: Similar findings were noted in the April 30, 2011 audit.

MATERIAL WEAKNESS

10-2 Segregation of duties

Condition: There is inadequate segregation of duties within the Town's accounting department. In addition, certain procedures that could help to mitigate this weakness are currently not being performed. Those procedures could include but are not limited to the following:

- A review of non-routine transactions over the period-end financial reporting process.

Current Status: Similar findings were noted in the April 30, 2011 audit.

10-3 Segregation of duties

Condition: An immaterial instance of fraud was brought to our attention. The investigation is ongoing and near completion. During the investigation, it was noted that there is inadequate segregation of duties within the Town's utility collections department. In addition, certain procedures that could help to mitigate this weakness are currently not being performed. Those procedures could include but are not limited to the following:

- Restricted log -in access for all employees who have access to utility software program.
- Restriction for administrator log-in to one employee who has proper authority to update or make changes within the software program.
- Segregation of duties for customer inquiry or requests to someone other than the utility clerk.
- Segregation of duties for monthly billings/mailings to someone other than the utility clerk.

Current Status: The Town has implemented changes to the utility software program which restricts access to make changes within the system without proper authorization. Log in access is restricted by employee. Any changes made to the system require authorization by the Mayor and changes can only be made by the Town Clerk. Additionally, the employee accused of the fraud was terminated once the investigation was completed.

COMPLIANCE WITH STATE LAWS AND REGULATIONS

None



Town of Lutchet

Mayor
Rowdy K. Scott

St. James Parish
P. O. Box 456 Lutchet,
Louisiana 70071
Telephone: (225) 869-5823
Fax: (225) 869-9628

Town Clerk
Vanessa C. Roussel

Aldermen
Donald J. Batiste, Sr.
Thomas D. George
Danny B. Manuel
Darlene F. Riley
Patrick P. St. Pierre

Town Attorney
Wilbur W. Reynaud

Chief of Police
Dwan B. Bowser

CORRECTIVE ACTION PLAN

August 12, 2011

Louisiana Legislative Auditor

The Town of Lutchet respectfully submits the following corrective action plan for the year ended April 30, 2011.

Name and address of independent public accounting firm: Postlethwaite & Netterville,
APAC
P. O. Box 1190
Donaldsonville, LA 70346

Audit Period: May 1, 2010 – April 30, 2011

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule of findings and questioned costs.

FINDINGS – SCHEDULE OF FINDINGS AND QUESTIONED COSTS

11-01 DOCUMENT AND DESIGN OF INTERNAL CONTROL

Recommendation: Small businesses with few employees in an accounting department typically have difficulty with establishing formal internal control procedures. Although this is not a valid reason for the lack of documentation, cost effectiveness certainly needs to be considered. We suggest that management identify and document its financial statement risk and set up controls to mitigate this risk.

Action Taken: We will identify significant risk areas and will document internal controls related to the specified risk.

11-02 SEGREGATION OF DUTIES

Recommendation: Management should review all journal entries necessary for the complete and accurate presentation of the financial statements.

Action Taken: We will document a review of period end journal entries.

11-03 SEGREGATION OF DUTIES

Recommendation: Understanding that the Town's size may make it unfeasible to adequately staff an accounting department sufficient to segregate duties, we recommend that management consider the following:

- An employee other than the utility clerk should respond to customer inquiry or requests and prepare monthly billings/mailings.
- A detailed review performed by the Town Clerk of the delinquent and aging report on a monthly basis to monitor the delinquency of customer accounts

Action Taken: We will implement changes to customer's inquiries and request, as well as preparing monthly billings/mailings as recommended. Management will also review and monitor delinquent and aging reports of delinquency of customer accounts as recommended.

11-04 LOUISIANA BUDGET LAW

Recommendation: The Town shall advise the governing authority in writing when total actual revenues and other sources plus projected revenues and other sources for the remainder of a year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more.

Action Taken: Budgets will be monitored closely and appropriate amendments to the budget will be made to reflect estimated changes in budgeted amounts as they become known.

If the Louisiana Legislative Auditor has questions regarding this plan, please call Vanessa Roussel at (225) 869-5823.

Sincerely,



Vanessa Roussel
Town Clerk

PERFORMANCE AND STATISTICAL DATA

TOWN OF LUTCHER
Lutcher, Louisiana

INSURANCE-IN-FORCE
(Without Audit)

April 30, 2011

<u>Type of Coverage</u>	<u>Name of Insurer</u>	<u>Expiration Date</u>	<u>Coverage Limits</u>
General Liability (business, Auto, crime, law enforcement & public officials)	Risk Management, Inc.	May 1, 2011	\$2,000,000
Boiler & Machinery Equip.	Rod Prejean & Assoc.	May 1, 2011	\$3,445,000
Public Officials Bond	Rod Prejean & Assoc	January 24, 2012	\$10,000
Commercial Property	Englade Boudreaux	June 12, 2011	\$2,480,500
FHA Bond	Rod Prejean & Assoc	January 27, 2012	\$70,000
Tractor Equipment	Englade Boudreaux	March 2, 2012	Various limits totaling \$ 70,659
Governmental Crime Policy	Rod Prejean & Assoc	March 23, 2012	\$10,000
Vehicle Physical Damage	Rod Prejean & Assoc	May 1, 2011	\$ 114,700

TOWN OF LUTCHER
Lutcher, Louisiana

PUBLIC UTILITY SYSTEM OPERATIONS
APRIL 30, 2011
(Without Audit)

Statistics on System Operations

- (a) As of April 30, 2011 the number of metered customers was 1,402 and 1,308 for the water and sewer systems, respectively. There were no unmetered customers for either the water or sewer systems at April 30, 2011.
- (b) The following rate schedules were in effect during the fiscal year ended April 30, 2011 for water and sewer services:

(1) Water

The water rates to all water suppliers and to all water customers as users of the Town water system are as follows:

Residential Customers

0 – 2,500 gallons	\$11.77 (base rate)
Over 2,500 gallons	\$2.50 per 1,000 gallons or fraction thereof

Small Commercial Customers

0 – 10,000 gallons	\$30.00 (base rate)
Over 10,000 gallons	\$3.00 per 1,000 gallons or fraction thereof

Medium Commercial Customers

0 – 20,000 gallons	\$45.00 (base rate)
Over 20,000 gallons	\$2.25 per 1,000 gallons or fraction thereof

Large Commercial Customers

0 – 50,000 gallons	\$60.00 (base rate)
Over 50,000 gallons	\$2.00 per 1,000 gallons or fraction thereof

TOWN OF LUTCHER
Lutcher, Louisiana

PUBLIC UTILITY SYSTEM OPERATIONS
APRIL 30, 2011
(Without Audit)

Statistics on System Operations (continued)

(2) Sewer

The rates and charges for all customers and users of the sewerage treatment and disposal system of the Town are hereby established as follows:

Residential Customers	\$ 15.00 (flat rate)
Small Commercial Customers	\$ 40.00 (flat rate)
Medium Commercial Customers	\$ 90.00 (flat rate)
Large Commercial Customers	\$180.00 (flat rate)

(c) Average monthly billing per customer during the year ended April 30, 2011:

1. Water	\$ <u>22.25</u>
2. Sewer	\$ <u>18.20</u>

(d) The number of accounts greater than 30 days old as of April 30, 2011:

1. Water	326 accounts
2. Sewer	284 accounts

TOWN OF LUTCHER
Lutcher, Louisiana
SCHEDULE OF PRINCIPAL OFFICIALS AND SALARIES
YEAR ENDED APRIL 30, 2011

	<u>Address</u>	<u>Phone Number</u>	<u>Salaries during the year ended April 30, 2011</u>
Mayor:			
Rowdy K. Scott	1596 Cabanose Avenue Lutcher, Louisiana 70071	(225) 869-9672	\$ 16,000
Aldermen:			
Otis Schexnayder	P.O. Box 51 Lutcher, Louisiana 70071	(225) 869-4847	2,875
Keyojuan L. Gant	P.O. Box 835 Gramercy, Louisiana 70052	(225) 869-7525	2,800
Floyd Marshall	P.O. Box 861 Lutcher, Louisiana 70071	(225) 869-8482	2,900
Patrick St. Pierre	P.O. Box 1128 Lutcher, Louisiana 70071	(225) 869-1050	4,800
Dustin Roussel	1330 Third Street Lutcher, Louisiana 70071	(225) 258-4181	2,875
Darlene Riley	P.O. Box 659 Gramercy, Louisiana 70052	(225) 869-4519	1,900
Donald Batiste	P.O. Box 599 Lutcher, Louisiana 70071	(225) 869-4076	1,900
Danny Manuel	P. O. Box 89 Lutcher, Louisiana 70071	(225) 869-8092	1,875
Thomas George	1727 Cabanose Ave Lutcher, Louisiana 70071	(225) 869-4650	1,825
Chief of Police:			
Dwan Bowser	P.O. Box 326 Lutcher, Louisiana 70071	(225) 869-1783	23,773
			\$ 63,523