

## TOWN OF MERRYVILLE, LOUISIANA

ANNUAL FINANCIAL STATEMENTS  
WITH AUDITOR'S REPORT

JUNE 30, 2012

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.

**APR 03 2013**

Release Date \_\_\_\_\_

## Table of Contents

	Statement	Page(s)
<b>INDEPENDENT AUDITOR’S REPORT</b>	-	1-2
<b>BASIC FINANCIAL STATEMENTS:</b>		
Statement of Net Assets	A	4
Statement of Activities	B	5
Balance Sheet – Governmental Funds	C	6
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Assets	D	7
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	E	8
Reconciliation of the Statement of Revenues Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	F	9
Statement of Net Assets – Proprietary Fund	G	10
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Fund	H	11
Statement of Cash flows – Proprietary Fund	I	12-13
Notes to the Financial Statements	-	15-25
<b>Required Supplemental Information</b>	<b>Schedule</b>	<b>Page(s)</b>
General Fund – Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	1	27-28
Special Revenue Fund – Sales Tax Fund – Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	2	29
<b>Other Supplemental Information</b>		
Schedule of Per Diem Paid to Board Members	3	31
<b>Other Reports</b>		
Schedule of Prior Year Audit Findings	4	33
Schedule of Current Year Audit Findings and Management’s Response	5	34-46
<b>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></b>	-	47-48

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Larry Carroll, Mayor  
and Members of the Board of Aldermen  
Town of Merryville, Louisiana

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Merryville, Louisiana, as of and for the year ended June 30, 2012, 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 Merryville, Louisiana's management. My responsibility is to express opinions on these financial statements based on my audit.

Except as stated in the following paragraph, I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

The Town of Merryville collected two 1% sales taxes that had expired June 30, 2007 during the year. This was in violation of the two sales tax propositions that expired June 30, 2007, therefore I was unable to form an opinion on sales tax revenues in the amount of \$461,799 or sales tax receivables of \$28,423. Due to the overstated sales tax revenue and receivable the unassigned fund balance in the sales tax fund is also overstated, therefore I am unable to form an opinion on the revenue, receivable or the fund balance.

In my opinion, except for the overstated sales tax revenues, receivables and unassigned fund balance in the sales tax fund 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 Merryville, Louisiana, as of June 30, 2012, and the respective changes in financial position and 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*, I have also issued my report dated December 17, 2012 on my consideration of the Town of Merryville, Louisiana's internal control over financial reporting and my 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 my 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 my 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 27 through 29 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

The Honorable Larry Carroll, Mayor  
and Members of the Board of Aldermen

statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

The Town of Merryville, Louisiana, has not presented management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standard 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. My opinion on the basic financial statements is not affected by this missing information.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Merryville, Louisiana's financial statements as a whole. The schedule of per diem paid to board members is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of per diem paid to board members is the responsibility of management and was derived from and relates 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



DeRidder, Louisiana  
December 17, 2012

## **BASIC FINANCIAL STATEMENTS**

Statement of Net Assets  
June 30, 2012

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 284,430	\$ 191,592	\$ 476,022
Receivables:			
Ad valorem	58	-	58
Sales taxes	28,423	-	28,423
Franchise taxes	7,168	-	7,168
Occupational licenses	64	-	64
Accounts	-	15,245	15,245
Intergovernmental:			
Alcohol taxes	745	-	745
Federal grant	-	54,680	54,680
Due from utility fund	17,493	-	17,493
Restricted cash and cash equivalents	41,363	108,087	149,450
Capital assets not being depreciated	42,211	37,666	79,877
Capital assets being depreciated, net	364,601	2,753,404	3,118,005
Total assets	<u>\$ 786,556</u>	<u>\$ 3,160,674</u>	<u>\$ 3,947,230</u>
LIABILITIES			
Accounts payable	\$ 25,198	\$ 4,726	\$ 29,924
Contracts payable	-	54,795	54,795
Payroll taxes payable	4,380	1,992	6,372
Due to general fund	-	17,493	17,493
Accrued interest payable	-	8,521	8,521
Customer deposits	-	16,326	16,326
Noncurrent liabilities:			
Due within one year	-	24,150	24,150
Due in more than one year	-	167,225	167,225
Total liabilities	<u>\$ 29,578</u>	<u>\$ 295,228</u>	<u>\$ 324,806</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 406,812	\$ 2,599,694	\$ 3,006,506
Restricted for:			
Revenue bond retirement	-	75,416	75,416
Sales taxes	68,589	-	68,589
Unrestricted	281,577	190,336	471,913
Total net assets	<u>\$ 756,978</u>	<u>\$ 2,865,446</u>	<u>\$ 3,622,424</u>
Total liabilities and net assets	<u>\$ 786,556</u>	<u>\$ 3,160,674</u>	<u>\$ 3,947,230</u>

The accompanying notes are an integral part of this statement.

Town of Merryville, Louisiana

Statement B

Statement of Activities  
For the Year Ended June 30, 2012

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Program Activities							
Governmental activities:							
General government and administration	\$ 187,821	\$ 7,585	\$ -	\$ 39,610	\$ (140,626)	\$ -	\$ (140,626)
Public safety	220,443	292,554	350	-	72,461	-	72,461
Public works	209,033	32,797	-	-	(176,236)	-	(176,236)
Total governmental activities	\$ 617,297	\$ 332,936	\$ 350	\$ 39,610	\$ (244,401)	\$ -	\$ (244,401)
Business-type activities:							
Water and sewer	388,322	183,344	-	244,936	-	39,958	39,958
Total government	\$ 1,005,619	\$ 516,280	\$ 350	\$ 284,546	\$ (244,401)	\$ 39,958	\$ (204,443)
General revenues:							
Taxes:							
Ad valorem					24,533	-	24,533
Sales					461,799	-	461,799
Alcohol					2,795	-	2,795
Franchise					39,574	-	39,574
Occupational licenses and permits					39,974	-	39,974
Investment earnings					-	356	356
Loss on disposal of assets					(6,344)	-	(6,344)
Rentals					5,972	-	5,972
Miscellaneous					3,466	-	3,466
Transfers					(157,912)	157,912	-
Total general revenues and transfers					413,857	158,268	572,125
Change in net assets					169,456	198,226	367,682
Net assets at beginning of year					587,522	2,667,220	3,254,742
Net assets at end of year					\$ 756,978	\$ 2,865,446	\$ 3,622,424

The accompanying notes are an integral part of the statement.

Balance Sheet  
Governmental Funds  
June 30, 2012

		<u>Major Fund Special Revenue Fund</u>	
	<u>General</u>	<u>Sales Tax Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 284,430	\$ -	\$ 284,430
Receivables:			
Ad valorem taxes	58	-	58
Sales taxes	-	28,423	28,423
Franchise taxes	7,168	-	7,168
Occupational licenses	-	64	64
Intergovernmental:			
Alcohol taxes	745	-	745
Due from utility fund	17,493	-	17,493
Restricted cash and cash equivalents	-	41,363	41,363
Total assets	<u>\$ 309,894</u>	<u>\$ 69,850</u>	<u>\$ 379,744</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 23,937	\$ 1,261	\$ 25,198
Payroll taxes payable	4,380	-	4,380
Total liabilities	<u>\$ 28,317</u>	<u>\$ 1,261</u>	<u>\$ 29,578</u>
Fund Balances:			
Unassigned	\$ 281,577	\$ -	\$ 281,577
Restricted	-	68,589	68,589
Total fund balances	<u>\$ 281,577</u>	<u>\$ 68,589</u>	<u>\$ 350,166</u>
Total liabilities and fund balances	<u>\$ 309,894</u>	<u>\$ 69,850</u>	<u>\$ 379,744</u>

The accompanying notes are an integral part of this statement.



Reconciliation of the Governmental Funds Balance Sheet  
to Statement of Net Assets  
June 30, 2012

Total fund balance - total governmental funds	\$ 350,166
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheets.	<u>406,812</u>
Net assets of governmental activities	<u><u>\$ 756,978</u></u>

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2012

		<u>Major Fund</u> <u>Special Revenue</u> <u>Fund</u>	Total Governmental Funds
	<u>General Fund</u>	<u>Sales Tax Fund</u>	
<b>Revenues</b>			
<b>Taxes:</b>			
Ad valorem	\$ 24,533	\$ -	\$ 24,533
Sales	-	461,799	461,799
Alcohol	2,795	-	2,795
Franchise	39,574	-	39,574
Charges for services	40,382	-	40,382
<b>Intergovernmental:</b>			
Federal grants	350	-	350
State grants	31,610	-	31,610
Occupational licenses and permits	-	39,974	39,974
Fines and forfeitures	292,554	-	292,554
Rentals	5,972	-	5,972
Donations	8,000	-	8,000
Other revenues	3,466	-	3,466
<b>Total revenues</b>	<u>\$ 449,236</u>	<u>\$ 501,773</u>	<u>\$ 951,009</u>
<b>Expenditures</b>			
General government	\$ 168,941	\$ 9,578	\$ 178,519
Public safety	196,858	-	196,858
Public works	206,942	-	206,942
Capital outlay	130,700	-	130,700
<b>Total expenditures</b>	<u>\$ 703,441</u>	<u>\$ 9,578</u>	<u>\$ 713,019</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ (254,205)</u>	<u>\$ 492,195</u>	<u>\$ 237,990</u>
<b>Other financing sources (uses)</b>			
Transfer in	\$ 380,192	\$ -	\$ 380,192
Transfer out	-	(538,104)	(538,104)
Gain on sale of assets	340	-	340
<b>Total other financing sources (uses)</b>	<u>\$ 380,532</u>	<u>\$ (538,104)</u>	<u>\$ (157,572)</u>
<b>Net change in fund balance</b>	\$ 126,327	\$ (45,909)	\$ 80,418
<b>Fund balances at beginning of year</b>	<u>155,250</u>	<u>114,498</u>	<u>269,748</u>
<b>Fund balances at end of year</b>	<u><u>\$ 281,577</u></u>	<u><u>\$ 68,589</u></u>	<u><u>\$ 350,166</u></u>

The accompanying notes are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balance of Governmental Funds to the  
Statement of Activities

For the Year Ended June 30, 2012

Net change in fund balances - total governmental funds	\$ 80,418
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	130,700
The net effect of various transactions involving capital assets (contributions, trades, etc.) is to decrease net assets.	(6,684)
Depreciation expense on capital assets is reported in the government- wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	<u>(34,978)</u>
Change in net assets of governmental activities	<u>\$ 169,456</u>

The accompanying notes are an integral part of this statement.

Statement of Net Assets  
Proprietary Fund  
June 30, 2012

	Business-type Activities - Enterprise Fund Water and Sewer
<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 191,592
Receivables:	
Accounts	15,245
Intergovernmental	
Federal grant	54,680
Total current assets	<u>\$ 261,517</u>
<b>Noncurrent Assets</b>	
Restricted cash and cash equivalents	\$ 108,087
Capital assets not being depreciated	37,666
Capital assets being depreciated, net	2,753,404
Total noncurrent assets	<u>\$ 2,899,157</u>
<b>Total assets</b>	<u><u>\$ 3,160,674</u></u>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 4,726
Contracts payable	54,795
Customer deposits	16,326
Payroll taxes payable	1,992
Due to general fund	17,493
Total current liabilities	<u>\$ 95,332</u>
<b>Liabilities payable from restricted assets</b>	
Accrued interest payable	\$ 8,521
Current portion of revenue bonds payable	24,150
Total liabilities payable from restricted assets	<u>\$ 32,671</u>
<b>Noncurrent Liabilities</b>	
Revenue bonds payable	<u>\$ 167,225</u>
<b>Total liabilities</b>	<u><u>\$ 295,228</u></u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	\$ 2,599,694
Restricted for:	
Revenue bond retirement	75,416
Unrestricted	190,336
<b>Total net assets</b>	<u><u>\$ 2,865,446</u></u>
<b>Total liabilities and net assets</b>	<u><u>\$ 3,160,674</u></u>

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Net Assets  
 Proprietary Fund  
 For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Fund Water and Sewer
Operating revenues	
Charges for services	<u>\$ 183,344</u>
Operating expenses	
Personal services	\$ 129,896
Supplies	29,844
Contractual services	82,928
Depreciation	135,930
Total operating expenses	<u>\$ 378,598</u>
Income (loss) from operations	<u>\$ (195,254)</u>
Nonoperating revenues (expenses)	
Investment income	\$ 356
Interest expense	(9,724)
Total nonoperating revenues (expenses)	<u>\$ (9,368)</u>
Income (loss) before contributions and transfers	\$ (204,622)
Transfers in	\$ 157,912
Capital contributions	<u>244,936</u>
Change in net assets	\$ 198,226
Net assets at beginning of year	<u>2,667,220</u>
Net assets at end of year	<u><u>\$ 2,865,446</u></u>

The accompanying notes are an integral part of this statement.

Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Fund
	<u>Water and Sewer</u>
Cash flows from operating activities:	
Cash received from customers	\$ 184,592
Cash payments to suppliers	(111,578)
for goods and services	(129,334)
Cash payments to employees for services	-
Net cash used by operating activities	<u>\$ (56,320)</u>
Cash flows from noncapital financing activities:	
Transfers from other funds	\$ 157,912
Payments from other funds	16,023
Net cash provided by noncapital financing activities	<u>\$ 173,935</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (190,256)
Interest paid on bonds	(10,719)
Retirement of bonds	(23,000)
Capital contributions received	190,256
Net cash used by capital and related financing activities	<u>\$ (33,719)</u>
Cash flow from investing activities:	
Interest on cash and investments	<u>\$ 356</u>
Net increase (decrease) in cash and cash investments	\$ 84,252
Cash and Cash investments, July 1	215,427
Cash and Cash investments, June 30	<u>\$ 299,679</u>

(Continued)

The accompanying notes are an integral part of this statement.

Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2012

	Business-type Activities - <u>Enterprise Funds</u>
	<u>Water and Sewer</u>
Reconciliation of (loss) from operations to net cash used by operating activities:	
Loss from operations	\$ (195,256)
Adjustments to reconcile income (loss) from operations to net cash used by operating activities:	
Depreciation	\$ 135,930
Change in assets and liabilities:	
Decrease in accounts receivable	2,163
Increase in payroll taxes payable	562
Decrease in accounts payable	(9,973)
Decrease in customer deposits payable	(915)
Decrease in prepaid insurance	<u>11,169</u>
Net cash used by operating activities	<u>\$ (56,320)</u> (Concluded)

The accompanying notes are an integral part of this statement.

## NOTES TO FINANCIAL STATEMENT



Town of Merryville, Louisiana  
Notes to the Financial Statements  
As of and for the Year Ended June 30, 2012

## INTRODUCTION

The Town of Merryville was incorporated under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Aldermen form of government.

The accounting and reporting policies of the Town of Merryville conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

The Town maintains various funds that provide services and benefits to its citizens including repairs and maintenance of approximately 15 miles of roads and streets, and water, sewer, and garbage collection services to approximately 600 residents.

The Town is located within Beauregard Parish in the southwestern part of the State of Louisiana and is comprised of approximately 1,200 residents. The governing board is composed of five elected aldermen that are compensated for regular and special board meetings. There are approximately six employees who maintain the water and sewer systems and handle the clerical work for the Town. The police department consists of an elected chief of police and approximately four patrolmen.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the municipality is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the municipality 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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the funds financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Town of Merryville, Louisiana

Notes to the Financial Statements (Continued)

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

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

The municipality reports the following major governmental funds:

The General Fund is the municipality's primary operating fund. It accounts for all financial resources of the general government, except for those in another fund.

The Special Revenue Fund accounts for and reports the proceeds of specific revenue sources, that are restricted, or committed to expenditures for specific purposes other than debt service or capital projects.

The municipality reports the following major proprietary fund:

The Proprietary Fund accounts for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Charges for services of providing water and sewer services to residents comprise the operating revenue of the Town's enterprise fund. Operating expenses for the enterprise fund includes the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The municipality has not established a policy for use of its unrestricted fund balance, therefore it considers committed fund balances to be used first, then assigned fund balances to be used next and finally the unassigned fund balance will be used.

Town of Merryville, Louisiana

Notes to the Financial Statements (Continued)

**C. Deposits and Investments**

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

**D. Receivables and Payables**

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

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

The Town levies taxes on real and business personal property located within the boundaries of the Town. Property taxes are levied by the Town on property values assessed by the Beauregard Parish Tax Assessor and approved by the State of Louisiana Tax Commission.

The Beauregard Parish Sheriff and Ex-Officio Tax Collector bills and collects property taxes for the Town. Collections are remitted to the Town monthly. The Town recognizes property tax revenues when levied.

Property Tax Calendar	
Assessment date	January 1, 2011
Levy date	June 30, 2011
Tax bills mailed	October 15, 2011
Total taxes are due	December 31, 2011
Penalties & interest due	January 31, 2012
Lien date	January 31, 2012
Tax sale	May 15, 2012

For the year ended June 30, 2012, taxes of 8.34 mills were levied on property with an assessed valuation totaling \$1,908,005, and were dedicated as follows:

	Authorized Millage	Levied Millage	Expiration Date
Taxes due for:			Renewed
General corporate tax	8.34	8.34	Annually

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes are collected and remitted by the local sheriff, if taxes are not paid, a sheriff's sale is held and the property is sold to satisfy the taxes due on that property. Due to this, the majority, if not all property taxes are collected; therefore no allowance account for uncollectibles have not been established. Water and sewer charges have customer deposits that have been collected in advance therefore the majority of all water and sewer billing is collected or taken out of the customer's deposit, any allowance account would be immaterial, therefore one has not been established.

Town of Merryville, Louisiana

Notes to the Financial Statements (Continued)

The following are the principal taxpayers and related property tax revenue for the municipality:

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>Ad Valorem Tax Revenue for Municipality</u>
Central Louisiana Electric, Co.	Utility	\$ 127,220	6.67%	\$ 1,061

**E. Restricted Assets**

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

**Bond reserve fund** - The Utility Revenue Bonds dated August 10, 1978 require that a reserve fund be established. Money in these accounts is used to pay the maturing principal and interest on the bonds.

**Depreciation and contingency fund** - The Utility Revenue Bonds dated August 10, 1978 require that a depreciation and contingency fund be established. Money in this account is used for extensions, additions, improvements and replacements necessary to properly operate the system.

**F. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The municipality maintains a threshold level of \$5,000 or more for capitalizing capital assets.

According to GASB 34 the Town of Merryville was not required to retroactively report infrastructure assets in its financial statements, therefore, these assets have not been reported in the financial statements.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense included during the current fiscal year was \$9,724. No interest was included as part of the cost of capital assets under construction in-construction projects.

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

<u>Description</u>	<u>Estimated Lives</u>
Roads, bridges, and infrastructure	40-50 years
Land improvements	40-50 years
Buildings and building improvements	40-50 years
Furniture and fixtures	5-15 years
Vehicles	5-10 years
Equipment	3-15 years

**G. Compensated Absences**

The municipality has the following policy relating to vacation and sick leave:

Each fulltime and part time permanent municipal employee shall earn annual vacation and sick leave as follows:

Vacation

- Five (5) days with pay after one (1) year employment.
- Ten (10) days with pay after two (2) years employment.

Town of Merryville, Louisiana

Notes to the Financial Statements (Continued)

Vacation days cannot be carried over from year to year.

The least amount of vacation taken at one time is one half (1/2) day.

The board may, in its discretion, pay as terminal pay all accumulated unused annual leave time up to a maximum of ten (10) days of such annual leave upon the retirement or resignation of an employee. An employee dismissed for cause shall not be paid for any accumulated annual leave.

Employees required to work on an observed holiday shall receive compensatory time off. Holidays observed by the municipality shall not be counted as vacation leave.

Leave from work with pay may be charged as sick leave if the absence is due to sickness, bodily injury, quarantine, required physical or dental examinations, or treatment, exposure to a contagious disease when continued work might jeopardize the health of others, illness in the immediate family of the employee which requires the care of the employee. All such absences, except those resulting from intemperance or immorality, shall be charged against the sick leave credit of the employee. Immediate family as used here shall consist of the husband or wife, as the case may be the father or mother, or children of the employee whether half or full blood.

Each employee shall earn two and one half (2 ½) days after six (6) months of employment and two and one half (2 ½) days will be earned every six months thereafter with a maximum of five (5) days per year being earned.

The least amount of time taken for sick leave is one half (1/2) day.

Sick leave may not be accumulated for an indefinite period, and there is no maximum amount of sick leave, which may be accumulated.

The supervising board or official shall determine when a certificate from a doctor is required to substantiate the necessity of sick leave, provided that sick leave claimed for three days or less shall not require such certificate. Department heads and/or the board are responsible for the application of this provision so that there will be no abuse of sick leave privileges.

There will be no pay for unused sick leave upon resignation or retirement of an employee.

Sick leave may be used as maternity leave.

#### **H. Long-Term Obligations**

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

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

#### **I. Extraordinary and Special Items**

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

Notes to the Financial Statements (Continued)

**J. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported 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, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

**K. Fund Balances**

**Unassigned** Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

**Restricted** Amounts that are restricted to a specific purpose should be reported as restricted fund balance. Fund balance should be reported as restricted when constraints placed on the use of resources are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation.

**L. Restricted Net Assets**

For government-wide statement of net assets, net assets are reported as restricted when constraints placed on net assets use either:

1. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations or other governments; or
2. Imposed by law through constitutional provisions or enabling legislation.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**BUDGET INFORMATION** The municipality uses the following budget practices:

1. The Town Clerk and Mayor prepare a proposed budget and submit it to the Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after the publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen. These amended amounts are shown in the financial statements.
6. All budgetary appropriations lapse at the end of each fiscal year.

Town of Merryville, Louisiana

Notes to the Financial Statements (Continued)

7. The budgets for the General Fund and Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts or as originally adopted, or as amended from time to time by the Board of Aldermen.

**EXCESS OF EXPENDITURES OVER APPROPRIATIONS** The following individual funds had actual expenditures over budgeted appropriations for the year ended June 30, 2012.

<u>Fund</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Sales Tax Fund	\$ 5,000	\$ 9,500	\$ 9,578	\$ 78
General Fund	438,584	692,694	703,441	10,747

**3. CASH AND CASH EQUIVALENTS**

At June 30, 2012, the municipality has cash and cash equivalents (book balances) totaling \$625,472 as follows:

Demand deposits	\$ 499,889
Petty cash	200
Money market investment accounts	125,383
Total	<u>\$ 625,472</u>

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

At June 30, 2012, the municipality has \$651,159 in deposits (collected bank balances). These deposits are secured from risk by \$416,747 of federal deposit insurance and \$234,412 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

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

**4. RECEIVABLES**

The receivables of \$106,383 at June 30, 2012, are as follows:

<u>Class of receivable</u>	<u>General Fund</u>	<u>* Special Revenue Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
Taxes:				
Ad valorem	\$ 58	\$ -	\$ -	\$ 58
Sales and use	-	28,423	-	28,423
Franchise	7,168	-	-	7,168
Alcohol	745	-	-	745
Occupational licenses	-	64	-	64
Intergovernmental	-	-	54,680	54,680
Accounts	-	-	15,245	15,245
Total	<u>\$ 7,971</u>	<u>\$ 28,487</u>	<u>\$ 69,925</u>	<u>\$ 106,383</u>

## Notes to the Financial Statements (Continued)

## 5. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2012, for the primary government is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Land	\$ 2,600	\$ 8,000	\$ -	\$ 10,600
Work in progress	-	31,611	-	31,611
Total capital assets not being depreciated	<u>2,600</u>	<u>39,611</u>	<u>-</u>	<u>42,211</u>
Capital assets being depreciated				
Buildings	163,091	55,831	-	218,922
Vehicles	99,647	35,259	39,877	95,029
Improvements other than buildings	304,510	-	-	304,510
Machinery and equipment	210,162	-	-	210,162
Total capital assets being depreciated	<u>777,410</u>	<u>91,090</u>	<u>39,877</u>	<u>828,623</u>
Less accumulated depreciation for:				
Buildings	82,184	4,615	-	86,799
Vehicles	74,468	15,099	33,193	56,374
Improvements other than buildings	142,668	7,419	-	150,087
Equipment	162,917	7,845	-	170,762
Total accumulated depreciation	<u>462,237</u>	<u>34,978</u>	<u>33,193</u>	<u>464,022</u>
Total capital assets being depreciated, net	<u>\$ 315,173</u>	<u>\$ 56,112</u>	<u>\$ (6,684)</u>	<u>\$ 364,601</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated				
Land	\$ 37,666	\$ -	\$ -	\$ 37,666
Construction in progress	755,065	245,052	1,000,117	-
Total capital assets being depreciated	<u>792,731</u>	<u>245,052</u>	<u>1,000,117</u>	<u>37,666</u>
Capital assets not being depreciated				
Buildings	18,328	-	-	18,328
Improvements other than buildings	4,733,540	1,000,117	-	5,733,657
Machinery and equipment	211,229	-	-	211,229
Vehicles	17,907	-	-	17,907
Total capital assets being depreciated	<u>4,981,004</u>	<u>1,000,117</u>	<u>-</u>	<u>5,981,121</u>
Less accumulated depreciation for:				
Buildings	1,235	459	-	1,694
Improvements other than buildings	2,952,747	113,391	-	3,066,138
Machinery and equipment	119,898	22,080	-	141,978
Vehicles	17,907	-	-	17,907
Total accumulated depreciation	<u>3,091,787</u>	<u>135,930</u>	<u>-</u>	<u>3,227,717</u>
Total business-type assets being depreciated, net	<u>\$ 1,889,217</u>	<u>\$ 864,187</u>	<u>\$ -</u>	<u>\$ 2,753,404</u>



Town of Merryville, Louisiana

Notes to the Financial Statements (Continued)

Depreciation expense of \$34,978 for the year ended June 30, 2012, was charged to the following governmental functions:

Public works	\$ 2,091
Public safety	23,585
General administration	9,302
Total	<u>\$ 34,978</u>

**6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The Town of Merryville has a three-percent sales tax that has expired but is still being collected and deposited into a special revenue sales tax fund. The money is then transferred out of the sales tax fund and split between the general fund and proprietary fund according to the percentage found in the sales tax resolution. These transfers are completed on a monthly basis and are routine transfers for the town.

	Transfer in	Transfer out
Special revenue fund	\$ -	\$ 538,104
General fund	380,192	-
Proprietary fund	157,912	-
Total	<u>\$ 538,104</u>	<u>\$ 538,104</u>

The composition of interfund balances as of June 30, 2012 is as follows:

	Due To	Due From
General fund	\$ -	\$ 17,493
Proprietary fund	17,493	-
Total	<u>\$ 17,493</u>	<u>\$ 17,493</u>

**7. ACCOUNTS AND OTHER PAYABLES**

The payables of \$91,091 at June 30, 2012, are as follows:

	General Fund	Special Revenue Fund	Proprietary Fund	Total
Withholdings	\$ 4,380	\$ -	\$ 1,992	\$ 6,372
Accounts	23,937	1,261	4,726	29,924
Contracts	-	-	54,795	54,795
Total	<u>\$ 28,317</u>	<u>\$ 1,261</u>	<u>\$ 61,513</u>	<u>\$ 91,091</u>

Town of Merryville, Louisiana

Notes to the Financial Statements (Continued)

**8. LONG-TERM OBLIGATIONS**

The following is a summary of the long-term obligation transactions for the year ended June 30, 2012.

	<u>Bonded Debt</u>
Long-term obligations at beginning of year	\$ 214,375
Additions	-
Deductions	<u>23,000</u>
Long-term obligations at end of year	<u>\$ 191,375</u>

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of June 30, 2012:

	<u>Bonded Debt</u>
Current portion	\$ 24,150
Long-term portion	<u>167,225</u>
Total	<u>\$ 191,375</u>

All municipal bonds outstanding at June 30, 2012, for \$191,375, are revenue bonds with maturities from 2013 to 2018 and the interest rate at 5%. Bond principal and interest payable in the next fiscal year are \$24,150 and \$9,569, respectively. The individual issues are as follows:

<u>Bond</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Final Payment Due</u>	<u>Interest to Maturity</u>	<u>Principal Outstanding</u>	<u>Funding Source</u>
Utilities Revenue Refunding Bonds Series 1978	\$ 550,000	5.00%	8/10/2018	\$ 38,374	\$ 191,375	Water revenues

  

<u>Year Ending June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2013	\$ 24,150	\$ 9,569	\$ 33,719
2014	25,000	8,361	33,361
2015	26,000	7,111	33,111
2016	27,000	5,811	32,811
2017	28,000	4,461	32,461
2018-2019	<u>61,225</u>	<u>3,061</u>	<u>64,286</u>
Total	<u>\$ 191,375</u>	<u>\$ 38,374</u>	<u>\$ 229,749</u>

In accordance with R.S. 39:562, the municipality is legally restricted from incurring long-term bonded debt in excess of 35% of the assessed value of taxable property. At June 30, 2012, the statutory limit is \$667,802 and outstanding bonded debt totals \$191,375.

Town of Merryville, Louisiana

Notes to the Financial Statements (Concluded)

**9. RESTRICTED RETAINED EARNINGS**

The Proprietary Fund – The Utility Fund had restricted net assets available as follows:

Restricted assets:	
Reserve and contingency accounts	\$ 108,087
Grant receivable	54,680
Total	<u>\$ 162,767</u>
Less:	
Liabilities payable from restricted assets:	
Grant contract payable	\$ 54,680
Current portion of bond	24,150
Accrued interest on bond	8,521
Total	<u>\$ 87,351</u>
Restricted net assets	<u>\$ 75,416</u>

**REQUIRED SUPPLEMENTAL INFORMATION.**

General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amount	Budget to GAAP	Actual Amount
	Original	Final	Budgetary Basis	differences over (under)	GAAP Basis
<b>Revenues</b>					
<b>Taxes:</b>					
Ad valorem	\$ 25,000	\$ 25,000	\$ 24,533	\$ (467)	\$ 24,533
Alcohol	2,500	2,500	2,795	295	2,795
Tobacco	1,706	1,706	-	(1,706)	-
Franchise fees	40,000	40,000	39,574	(426)	39,574
Charges for services	23,440	38,940	40,382	1,442	40,382
<b>Intergovernmental:</b>					
Federal grants	-	-	350	350	350
State grants	17,000	4,000	31,610	27,610	31,610
Fines and forfeitures	211,750	290,000	292,554	2,554	292,554
Rentals	4,000	5,000	5,972	972	5,972
Donations	500	500	8,000	7,500	8,000
Other revenue	6,500	3,100	3,466	366	3,466
<b>Total revenues</b>	<b>\$ 332,396</b>	<b>\$ 410,746</b>	<b>\$ 449,236</b>	<b>\$ 38,490</b>	<b>\$ 449,236</b>
<b>Expenditures</b>					
General government and administration	\$ 203,290	\$ 175,450	\$ 168,941	\$ 6,509	\$ 168,941
Public safety	131,044	187,544	196,858	(9,314)	196,858
Public works	104,150	199,000	206,942	(7,942)	206,942
Capital outlay	100	130,700	130,700	-	130,700
<b>Total expenditures</b>	<b>\$ 438,584</b>	<b>\$ 692,694</b>	<b>\$ 703,441</b>	<b>\$ (10,747)</b>	<b>\$ 703,441</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ (106,188)</b>	<b>\$ (281,948)</b>	<b>\$ (254,205)</b>	<b>\$ 27,743</b>	<b>\$ (254,205)</b>

(Continued)

General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amount	Budget to GAAP	Actual Amount
	Original	Final	Budgetary Basis	differences over (under)	GAAP Basis
Other financing sources:					
Transfer in	\$ 191,000	\$ 300,000	\$ 380,192	\$ 80,192	\$ 380,192
Gain on sale of land	-	-	340	340	340
Total other financing sources	<u>\$ 191,000</u>	<u>\$ 300,000</u>	<u>\$ 380,532</u>	<u>\$ 80,532</u>	<u>\$ 380,532</u>
Net change in fund balance	\$ 84,812	\$ 18,052	\$ 126,327	\$ 108,275	\$ 126,327
Fund balances at beginning of year	<u>94,378</u>	<u>155,250</u>	<u>155,250</u>	<u>-</u>	<u>155,250</u>
Fund balances at end of year	<u>\$ 179,190</u>	<u>\$ 173,302</u>	<u>\$ 281,577</u>	<u>\$ 108,275</u>	<u>\$ 281,577</u>
					(Concluded)

Special Revenue Fund  
Sales Tax Fund  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amount	Budget to GAAP	Actual Amount
	Original	Final	Budgetary Basis	differences over (under)	GAAP Basis
Revenues					
Taxes:					
Sales	\$ 223,220	\$ 460,000	\$ 461,799	\$ 1,799	\$ 461,799
Occupational licenses and permits	40,201	41,000	39,974	(1,026)	39,974
Total revenues	<u>\$ 263,421</u>	<u>\$ 501,000</u>	<u>\$ 501,773</u>	<u>\$ 773</u>	<u>\$ 501,773</u>
Expenditures					
General government and administration	<u>\$ 5,000</u>	<u>\$ 9,500</u>	<u>\$ 9,578</u>	<u>\$ (78)</u>	<u>\$ 9,578</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 258,421</u>	<u>\$ 491,500</u>	<u>\$ 492,195</u>	<u>\$ 695</u>	<u>\$ 492,195</u>
Other financing sources (uses):					
Transfers out	<u>\$ (258,000)</u>	<u>\$ (538,000)</u>	<u>\$ (538,104)</u>	<u>\$ (104)</u>	<u>\$ (538,104)</u>
Net change in fund balance	\$ 421	\$ (46,500)	\$ (45,909)	\$ 591	\$ (45,909)
Fund balances at beginning of year	<u>113,209</u>	<u>114,498</u>	<u>114,498</u>	<u>2,929</u>	<u>114,498</u>
Fund balances at end of year	<u><u>\$ 113,630</u></u>	<u><u>\$ 67,998</u></u>	<u><u>\$ 68,589</u></u>	<u><u>\$ 3,520</u></u>	<u><u>\$ 68,589</u></u>

## OTHER SUPPLEMENTAL INFORMATION



Schedule of Per Diem Paid to Board Members  
Year Ended June 30, 2012

<u>Board Members</u>	<u>Total Paid</u>
Elton Havens	\$ 425
Mark Allen	800
Beaver Knighton	1,275
Sarah Whitehead	675
Tami Longoria	750
Brenda Jeans	425
Alton Bennett	550
Amanda Pointer	450
Mance Stark	850
	<u>\$ 6,200</u>

## OTHER REPORTS

Schedule of Prior Year Audit Findings  
Year Ended June 30, 2012

Findings – Financial Statement Audit

Audit Finding No. 2011-1

Sale of scrap iron not deposited to public funds account.

Condition:	The town sold scrap iron for cash. The cash was kept on hand and not deposited to a public funds account. The cash was used to pay for employee's meals.
Criteria:	The Louisiana Constitution prohibits the use of public funds for private purposes. Also generally accepted accounting principles relating to internal controls are deficient when cash is not timely deposited to the Town's bank account.
Cause of Condition:	The mayor and town clerk did not realize that this violated the Louisiana Constitution for use of public funds, or that it created a significant deficiency in internal control.
Effect of Condition:	The Louisiana Constitution for the use of public funds has been violated along with other state statutes. A significant deficiency in internal controls over public funds exist.
Recommendation:	I recommend that all public funds from whatever source be deposited into the public funds checking account and these funds only be used for public purposes.

Date of Occurrence – June 30, 2011

Corrective action taken – Yes

Schedule of Current Year Audit Findings and Management's Response  
Year Ended June 30, 2012

Findings – Financial Statement AuditAudit Finding No. 2012-1Monthly financial statements and budget to actual comparisons were not prepared and presented to the Mayor or Board Members at monthly meetings

Condition:	The Mayor did not have formal financial statements or budget to actual comparisons for each of the Town's funds furnished to him prior to monthly board meetings nor did the Board have these presented to them at the monthly meetings. Only bank reconciliations and the corresponding reconciliation were presented.
Criteria:	The Mayor should have for his review, fund financial statements along with budget to actual comparisons prior to each monthly board meeting. The Board should have these statements available at each monthly meeting in order to make informed decisions concerning the Town's finances.
Cause or Condition:	This detailed review of financial statements had not been done in prior years, only a review of certain documents and limited financial reports had been done.
Effect of Condition:	This could lead to budget violations during the year when actual expenditures exceed budgeted expenditures by more than five percent and the budget would not be amended. This could also lead to uninformed decisions being made by the Mayor or the Board.
Recommendation:	I recommend that the Town hire an independent CPA to help with monthly financial statement preparation along with monthly budget to actual comparisons and that these be presented to the Mayor prior to the monthly board meetings and that Board be presented with these financial reports for review at the monthly board meetings.

Schedule of Current Year Audit Findings and Management's Response  
Year Ended June 30, 2012

Findings – Financial Statement AuditAudit Finding No. 2012-2Written policies and procedures did not exist that address the handling of traffic tickets and final disposition of the tickets according to state law.

Condition:	In numerous cases proper accounting for the disposition of traffic tickets was not maintained according to state law, also the Town had no written policies and procedures concerning issuing ticket books, accounting for the final disposition of tickets, reconciling tickets and adhering to state law reporting requirements.
Criteria:	Written policies and procedures should be maintained and followed by the Town for all facets of the ticket control process. According to state law records must be maintained by the Chief of Police in order to account for all traffic citations and their final disposition.
Cause or Condition:	The Town has never had a formal written policy regarding the ticket process but has followed an informal process that in some cases failed to meet adequate standards of control over tickets and disposition. The Town does maintain logs of issued tickets but in many cases the disposition of the tickets were not accounted for.
Effect of Condition:	Without written policies and procedures errors in the ticket process can occur do to inconsistencies and misunderstandings in applying the informal policies and procedures. Also without complete disposition information for each ticket the Town may not collect all ticket fines that's due them.
Recommendation:	I recommend the Board, Mayor and Police Chief discuss and implement a written policies and procedures manual for the proper handling of all traffic tickets. Guidance in formulating this manual can be located on the Louisiana Legislative Auditor's website. Also final disposition of all tickets should be maintained by the Chief of Police and periodically reviewed by the Mayor.

Schedule of Current Year Audit Findings and Management's Response  
Year Ended June 30, 2012

Findings – Financial Statement Audit

Audit Finding No. 2012-3

Unissued ticket books not maintained in sequential order

Condition:	The log of unissued ticket books contained gaps in documentation of who the books were issued to or if they were unissued and still on hand. Sequentially numbered ticket books were maintained but many were out of order or did not exist.
Criteria:	Ticket books should be accounted for in numerical sequence, either issued to deputies or kept in a locked cabinet by the Chief of Police. All ticket books should be issued in numerical sequence to deputies and a log maintained of which deputy received which ticket book numbers so they can be accounted for throughout the entire ticket process.
Cause or Condition:	Without written procedures and a changes in Police Chiefs, during the year errors in tracking ticket books in numerical sequence occurred. Also the lack of review by the Mayor contributed to unissued ticket logs having gaps in the numerical sequence.
Effect of Condition:	Without proper documentation of unissued ticket books errors could occur with ticket books being issued and returned, citations being issued and accounted for, and documentation being maintained according to state law.
Recommendation:	The Chief of Police and Mayor should work together to have the Chief maintain a numerical sequence log of all ticket books and the Mayor should periodically perform a review of the log book.

Schedule of Current Year Audit Findings and Management's Response  
Year Ended June 30, 2012

Finding – Financial Statement Audit

Audit Finding No. 2012-4

Ticket citations not being reported to the Louisiana Department of Public Safety as required by state law.

Condition:	Not all final dispositions of citations from the mayor's court were being sent the Commissioner at Louisiana Department of Public Safety as required by state law.
Criteria:	After final disposition of a citation in the mayor's court an abstract of the disposition report shall be sent by the court to the state commissioner.
Cause or Condition:	Due to a lack of review and documentation of final dispositions of citations, some tickets finalized in the mayor's court were not transmitted to the Commissioner at the Louisiana Department of Public Safety.
Effect of Condition:	State law requires that an abstract of the final disposition of traffic citations in the mayor's court be transmitted to the Commissioner of the Louisiana Department of Public Safety. A violation of state law occurs when this abstract is not furnished to the Commissioner.
Recommendation:	I recommend that the Mayor ensure that court personnel transmit all abstracts of final ticket dispositions in the mayor's court to the Commissioner of the Louisiana Department of Public Safety.

Schedule of Current Year Audit Findings and Management's Response  
Year Ended June 30, 2012

**Finding – Financial Statement Audit****Audit Finding No. 2012-5****Utility fund billing registers were not being reconciled to the utility fund general ledger on a monthly basis.**

<b>Condition:</b>	Accounts receivable in the utility fund are recorded at year end and no accruals are reversed and set up on a monthly basis during the year.
<b>Criteria:</b>	In order to have more accurate financial statements and properly track receivables from customers, the billing register should be reconciled and recorded each month in the Town's general ledger.
<b>Cause or Condition:</b>	Utility fund receivables from customers do not vary greatly from month to month, therefore the accrual was only made at year end.
<b>Effect of Condition:</b>	Financial statements are not as accurate when the accrual for the billing register receivables is not reconciled and adjusted on a monthly basis. Also, collections in subsequent months can be more clearly compared to the billing register totals when the general ledger contains accurate monthly balances.
<b>Recommendation:</b>	I recommend that an independent CPA, with the Town Clerk's help compare monthly billing registers to the general ledger and make adjustments to accounts receivable general ledger account on a monthly basis based on the billing register.



Schedule of Current Year Audit Findings and Management's Response  
Year Ended June 30, 2012

**Findings – Financial Statement Audit****Audit finding No. 2012-6**

**The Town's original budget was not adopted by ordinance as required by law and certain provisions required by law were omitted.**

Condition:	The Town's original budget was not adopted by ordinance and did not contain the authority of the Mayor to be able to make changes without board approval as well as those changes that could only be made by the Board.
Criteria:	According to the Lawrason Act under which the Town operates the original budget must be adopted by ordinance. Also the Local Government Budget Act requires the budget to state at what level the Mayor may change the budget without board approval and when board approval is required along with other required elements the budget must maintain.
Cause or Condition:	Neither the Clerk or the Mayor was aware that the budget must be adopted by an ordinance and should contain certain other required elements.
Effect of Condition:	By not adopting the budget by ordinance and not having the required elements in the budget a violation of the Lawrason Act and the Local Government Budget Act occurred.
Recommendation:	I recommend that the Lawrason Act and the Local Government Budget Act be reviewed by the Mayor and the Town Clerk to determine that all required elements are in future budgets. Also the budget should be reviewed for these elements by the Town's attorney prior to being submitted to the Board for adoption by ordinance.

Schedule of Current Year Audit Findings and Management's Response  
Year Ended June 30, 2012

Findings – Financial Statement Audit

Audit Finding No. 2012-7

The Town did not make daily deposits on occasions

Condition:	The Town did not always make a daily deposit, especially if the money taken in was small in amount. In some cases several days would go by until a deposit would be made.
Criteria:	Good business practices and state law require municipalities to make daily deposits whenever practical.
Cause or Condition:	The Clerk thought it would be alright to wait and make a deposit when the funds available were large enough to warrant a trip to the bank.
Effect of Condition:	During the time these funds are kept on hand money could be misplaced, misappropriated or misclassified. Also, customers depend on a check to be cashed when issued so they can keep their records in order.
Recommendation:	I recommend that a daily deposit be made each day regardless of the size of the deposit and that the Mayor monitor this daily deposit.

Schedule of Current Year Audit Findings and Management's Response  
Year Ended June 30, 2012

Finding – Financial Statement AuditAudit Findings No. 2012-8Sales taxes being collected from an expired sales tax proposition.

Condition:	The Town has been collecting two 1% sales taxes that were authorized by sales tax propositions to be collected through June 30, 2007. The Town has had no legal right to these funds since June 30, 2007.
Criteria:	Sales tax propositions are approved by the voters of the Town for a certain percentage and usually a certain time period. When sales taxes are collected after the proposition has expired this is a violation of law.
Cause and Condition:	The Town has had several different administrations during this sales tax collection period and the period after the sales tax expired. It is believed that these different administrations were unaware of the expiration date. The Sheriff who collects the sales taxes for the Town had a schedule of expiration dates for the Town's taxes but a typographical error showed the expiration date as June 30, 2017, therefore he continued to collect the tax. Also, the annual audit report did not require an expiration date in the description of the tax.
Effect of Condition:	The Town collected approximately \$600,000 of sales taxes during these years that they were not legally authorized to collect.
Recommendation :	I recommend that the Town implement a system to track expiration dates of sales taxes and that this be passed along to subsequent administrations. Also the Sheriff should have a copy of the process verbal on file for each entity he collects taxes for and notify the entities in advance of pending expiration dates. Also the annual audit now contains expiration dates of sales taxes in the auditor's report shown in the notes to the financial statements.

Schedule of Current Year Audit Findings and Management's Response  
Year Ended June 30, 2012

**Finding – Financial Statement Audit****Audit Findings No. 2012-9****Quarterly audit of traffic citations were not performed.**

Condition:	The Town Clerk did not perform quarterly audits of traffic citations as required by state law.
Criteria:	Louisiana Revised Statue 32:3983(B) requires that each record of traffic citations be audited quarterly by the Town Clerk.
Cause and Condition:	Management of the Town of Merryville, Louisiana did not realize that a formal quarterly audit of traffic citations is required by state law.
Effect of Condition:	By not performing the quarterly audit of traffic citations the Town was not in compliance with state law, also controls over the traffic ticket process are weakened when this procedure is not performed.
Recommendation:	I recommend that the Town Clerk audit the traffic ticket process on a quarterly basis and that the mayor review the audit work.

Schedule of Current Year Audit Findings and Management's Response  
Year Ended June 30, 2012

Finding – Financial Statement Audit

Audit Finding No. 2012-10

The verbal cut-off policy for water sales not always enforced.

Condition:	The Town has a verbal cut-off policy that provides for water services to be cut-off when account balances become past due over thirty days. It was noted that some customers continued to receive water services even when their accounts were past due over thirty days.
Criteria:	The Town has a verbal cut-off policy that provides for water services to be cut-off after an account becomes thirty days past due, also the Louisiana Constitution prohibits a municipality from providing things of value such as water services for free.
Cause and Condition:	During the transition between two different administrations of the Town, past due accounts over thirty days old were not disconnected according to Town policy.
Effect of Condition:	The Town violated its cut-off policy by not disconnecting delinquent accounts over thirty days past due, also the Louisiana Constitution could be violated by providing water services for free.
Recommendation:	I recommend that written policies for disconnecting delinquent accounts be established and adhered to, the mayor should closely monitor past due accounts and disconnect water services as required by the Town's policy.



# Town of Merryville

Post Office Box 607  
Merryville, LA 70653  
Phone: (337) 825-8740

Larry Carroll  
Mayor

Beaver Knighton  
Mayor Pro-Tem

J. Craig Lanier  
Chief of Police

## Council Members

Mance Stark  
Amanda Pointer  
Alton Bennett  
Mark Allen

Mr. Daryl Purpera, CPA, CFE

Louisiana Legislative Auditor

1600 North Third Street

Baton Rouge, La 70804

Dear Mr. Purpera,

In response to the June 30, 2012 audit findings of our Organization I offer the following:

### Audit Finding No. 2012-1

We have hired an independent CPA to help with monthly financial statements and these are presented to the Council at each monthly meeting and are voted on for approval.

### Audit Finding No. 2012-2

We have implemented a written policy and procedure to maintain and keep an accurate account of all tickets written and their final disposition.

*In accordance with Federal law and U.S.D.A. policy, this institution is prohibited from discriminating on the basis of race, color, national origin, sex, age, or disability. Complaints of discrimination should be sent to:  
USDA, Director, Office of Civil Rights, Washington, DC 20250-9410*



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### Audit Finding No. 2012-3

We have implemented a written policy and procedure to keep track of all tickets books that have been issued and the Town Clerk does an audit of the citation log on a quarterly basis to help track any tickets found to be out of sequence.

### Audit Finding No 2012-4

We electronically submit all unpaid citations to the State of Louisiana on a monthly basis. Each ticket is submitted with the final disposition code attached.

### Audit Finding No 2012-5

We have hired an independent CPA to help the Town Clerk to compare monthly billing registers to the general ledger and make adjustments as needed.

### Audit Finding No. 2012-6

We have started adopting our yearly budget by ordinance and the Budget contains a Budget message.

### Audit Finding No. 2012-7

We have started making our deposits daily.

### Audit Finding No. 2012-8

The expiration date of the sales tax proposition will be included in the yearly audit report. A copy of the process verbal is on record at the Tax collection agency.

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### Audit Finding No. 2012-9

The Town Clerk will audit the traffic citations on a quarterly basis and report any findings to the Mayor and Chief of Police. The Mayor will review the audit performed by the Town Clerk.

### Audit Finding No. 2012-10

We have implemented a policy a disconnecting delinquent policy to avoid delinquent accounts and each month the Mayor reviews the list of accounts.

Sincerely yours,

Larry Carroll,

Mayor

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USDA, Director, Office of Civil Rights, Washington, DC 20250-9410*



# John A. Windham, CPA

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John A. Windham, CPA  
Charles M. Reed, Jr., CPA

## 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*

The Honorable Larry Carroll, Mayor  
and the Members of the Board of Aldermen  
Town of Merryville, Louisiana

I have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Merryville, Louisiana, as of and for the year ended June 30, 2012, which collectively comprise the Town of Merryville, Louisiana's basic financial statements and have issued my report thereon dated December 17, 2012. The report on the basic financial statements was qualified because the Town had collected during the year two 1% sales taxes that had expired June 30, 2007. This had the effect of overstating sales tax revenues by \$461,799 and sales tax receivables of \$28,423, also overstated was the unassigned sales tax fund balance. Except as discussed in the previous sentences, I conducted my 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

Management of the Town of Merryville, Louisiana is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the Town of Merryville, Louisiana's internal control over financial reporting as a basis for designing my audit procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Merryville, Louisiana's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Merryville, Louisiana's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to 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 described in the accompanying schedule of current year audit findings and management's response, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses and other deficiencies that I 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of current year audit findings and management's response to be material weaknesses. Audit Findings No. 2012-8, and 2012-9.

*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. I consider the deficiencies described in the accompany schedule of current year audit findings and management's response to be significant deficiencies. Audit Findings No. 2012- 2 and 2012-7.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Merryville, Louisiana's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and which are described in the accompanying schedule of current year audit findings and management's response as Audit Findings No. 2012-2, 2012-4, 2012-6, 2012-7, 2012-8 and 2012-9.

Town of Merryville, Louisiana's response to the findings identified in my audit is described in the accompanying schedule of current year audit findings and management's response. I did not audit the Town of Merryville, Louisiana's response and accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, others within the organization, the Board of Aldermen, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties, although under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



DeRidder, Louisiana  
December 17, 2012