

TOWN OF MELVILLE, LOUISIANA
ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2019

TOWN OF MELVILLE, LOUISIANA

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J. WALKER & COMPANY^{APC}

ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT

Honorable Velma Hendricks, Mayor
and Members of the Board of Aldermen
Town of Melville, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Melville, Louisiana (the "Town") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness

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of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

Substantial Doubt about the Town's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Town of Melville, Louisiana, will continue as a going concern. As discussed in Note 16 to the financial statements, the Town has suffered significant reductions in revenues, has a significant deficiency in net position, and has stated that substantial doubt exists about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 16. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on page 4 to page 14 and page 43 to page 45 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.



Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Melville, Louisiana's basic financial statements. The accompanying schedule of compensation, benefits and other payments to agency head, schedule of compensation paid to the members of the board of aldermen, and the schedule of insurance in force are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of compensation, benefits and other payments to agency head, schedule of compensation paid to the members of the board of aldermen, are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits and other payments to the agency head, and the schedule of compensation paid to the members of the board of aldermen are fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of insurance in force has not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2021, on our consideration of the Town of Melville, 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 solely 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 effectiveness of the Town of Melville, Louisiana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Melville, Louisiana's internal control over financial reporting and compliance.

J. Walker & Company, APC

Lake Charles, Louisiana

January 21, 2021



REQUIRED SUPPLEMENTARY INFORMATION – PART I
MANAGEMENT’S DISCUSSION AND ANALYSIS

TOWN OF MELVILLE, LOUISIANA

Management's Discussion and Analysis For the Year Ended September 30, 2019

The Management's Discussion and Analysis (MD&A) for the Town of Melville is designed to:

1. Assist the reader in focusing on significant financial issues;
2. Provide an overview of the Town's financial activities;
3. Identify changes in the Town's overall financial position and results of operations and assist the user in determining whether financial position has improved or deteriorated as a result of the year's operations;
4. Identify any significant variations from the original, amended, and final budget amounts and include any currently known reasons for those variations that are expected to have a significant effect on future services or liquidity; and
5. Identify individual fund issues or concerns.

As management of the Town of Melville, we offer readers of the Financial Statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2019. The Town began this new reporting model required by the Governmental Accounting Standards Board (GASB) Statement Number 34 for the fiscal year ended September 30, 2004.

The information contained within this MD&A should be considered only as part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and other Required Supplemental Information (RSI) that is provided in addition to this MD&A.

Overview of the Financial Statements

The MD&A requires supplementary information that introduces the reader to the basic financial statements and provides an overview of the Town's financial activities. The Town's basic financial statements consist of the following components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

Other required supplementary information, including the required budgetary comparison schedule(s) are presented immediately following the notes to the financial statements. A general description of the components of the basic financial statements follows below, with a more detailed analysis of the government-wide statements included in a later section entitled "Government-wide Financial Analysis".

TOWN OF MELVILLE, LOUISIANA

Management's Discussion and Analysis For the Year Ended September 30, 2019 (Continued)

1. Government-wide Financial Statements

The Government-wide Financial Statements are designed by GASB Statement No. 34 to present the financial operations of the Town as a whole in a format similar to private sector companies. All governmental and business-type activities are consolidated into columns which add to a total for the Primary Government.

The focus is on the government-wide (entity-wide) "Statement of Net Position" and "Statement of Activities" to give the reader a broad overview of the Town's financial position and results of operations.

- a. The Statement of Net Position presents information on the Town's assets and liabilities using the accrual basis of accounting, in a manner similar to the accounting used by private business enterprises. The difference between the assets and liabilities is reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or weakening.
- b. The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. The format for the Statement of Activities presents the expenses for each function (general government, public safety, public works and streets) reduced by the Program Revenues (charges for services, operating grants and contributions, and capital grants and contributions) directly related to each respective function, to determine net costs of each function. The net costs of each function are normally covered by general revenues.

2. Fund Financial Statements

The fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related and legal requirements. The Town of Melville uses two categories of funds to account for financial transactions: governmental funds, and proprietary funds.

Governmental funds are used to account for most of the basic services and projects reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information 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. The Town of Melville's governmental funds include the following:

- a. General Fund used for accounting for the Town's basic services.
- b. Special Revenue Fund – Sales Tax Fund is used for accounting for the receipts and disbursements of the sales tax monies.

TOWN OF MELVILLE, LOUISIANA

Management's Discussion and Analysis For the Year Ended September 30, 2019 (Continued)

The Proprietary Fund accounts for water, gas, and sewer services for the Town of Melville. Enterprise funds are used to account for the same functions as business-type activities presented in the government-wide financial statements, but the fund presentation provides more detail. The proprietary fund financial statements can be found on of this report.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, there are differences in the information presented for government funds and for governmental activities in the government-wide financial statements. Review of these differences provides the reader of the financial statement's insight on the long-term impact of the Town's more immediate decisions on the current use of financial resources. Whereas the Total column on the Enterprise Fund Financial Statements is the same as the Business-Type column of the Government-Wide Financial Statements, the governmental funds columns of the Fund Financial Statements require and include a reconciliation following the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances.

3. Notes to the Financial Statements

The Notes to the Financial Statements provide information essential to a full understanding of the government-wide and fund financial statements. When reviewing this MD&A, the reader should also refer to and review the Notes to the Basic Financial Statements, as well as the Government-wide and Fund Financial Statements.

4. Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain other required supplemental information concerning the Town's budget presentations. Budgetary comparison statements are included as "Required Supplementary Information (Part II)" for the general and special revenue funds. These schedules demonstrate compliance with the Town's adopted and final revised budget.

Government-wide Financial Analysis

As noted earlier, net position may, over time, serve as a useful indicator of a government's financial condition. At the close of the most recent fiscal year, the Town's assets exceeded its liabilities by \$1,898,579 (net position); this represents a decrease of \$163,528 from last fiscal year.

The Town's net positions are comprised of \$261,439 from governmental activities and \$1,637,140 from business-type activities.

TOWN OF MELVILLE, LOUISIANA

Management's Discussion and Analysis
For the Year Ended September 30, 2019
(Continued)

The following is a condensed statement of the Town's net position as of September 30, 2019:

<u>Activities</u>	Governmental Activities	Business-Type Activities	Primary Government Total	Percentage
Assets:				
Current assets	\$ 327,233	\$ (51,570)	\$ 275,663	7%
Restricted assets	-	27,660	27,660	1%
Capital assets	<u>524,637</u>	<u>2,889,436</u>	<u>3,414,073</u>	92%
Total Assets	<u>851,870</u>	<u>2,865,526</u>	<u>3,717,396</u>	<u>100%</u>
Liabilities:				
Current liabilities	403,175	41,939	445,114	24%
Noncurrent liabilities	<u>187,256</u>	<u>1,186,447</u>	<u>1,373,703</u>	76%
Total Liabilities	<u>590,431</u>	<u>1,228,386</u>	<u>1,818,817</u>	<u>100%</u>
Net Position:				
Invested in Capital Assets	314,687	1,715,167	2,029,854	107%
Restricted	100,300	39,934	140,234	7%
Unrestricted	<u>(153,548)</u>	<u>(117,961)</u>	<u>(271,509)</u>	-14%
Total Net Position	<u>\$ 261,439</u>	<u>\$ 1,637,140</u>	<u>\$ 1,898,579</u>	<u>100%</u>

The Town's net position at September 30, 2018, was \$2,062,107. The following is a condensed statement of the Town's net position as of September 30, 2018.

<u>Activities</u>	Governmental Activities	Business-Type Activities	Primary Government Total	Percentage
Assets:				
Current assets	\$ 53,459	\$ 55,200	\$ 108,659	3%
Restricted assets	-	27,660	27,660	1%
Capital assets	<u>518,927</u>	<u>3,047,695</u>	<u>3,566,622</u>	96%
Total Assets	<u>572,386</u>	<u>3,130,555</u>	<u>3,702,941</u>	<u>100%</u>
Liabilities:				
Current liabilities	190,341	104,531	294,872	18%
Noncurrent liabilities	<u>124,553</u>	<u>1,221,409</u>	<u>1,345,962</u>	82%
Total Liabilities	<u>314,894</u>	<u>1,325,940</u>	<u>1,640,834</u>	<u>100%</u>
Net Position:				
Invested in Capital Assets	380,194	1,783,808	2,164,002	105%
Restricted	18,782	89,618	108,400	5%
Unrestricted	<u>(141,484)</u>	<u>(68,811)</u>	<u>(210,295)</u>	-10%
Total Net Position	<u>\$ 257,492</u>	<u>\$ 1,804,615</u>	<u>\$ 2,062,107</u>	<u>100%</u>

TOWN OF MELVILLE, LOUISIANA

Management's Discussion and Analysis For the Year Ended September 30, 2019 (Continued)

The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The Town's current ratio as of September 30, 2019 is 0.81 to 1 for governmental activities and -1.23 to 1 for business-type activities. The current ratio as of September 30, 2018 is 0.28 to 1 for governmental activities and 0.53 to 1 for business-type activities. The Town's overall current ratio is 0.62 to 1 as of September 30, 2019, and 0.37 to 1 as of September 30, 2018.

The Town reported positive balances in net position for both governmental and business-type activities for the years ended September 30, 2019 and 2018. Net position increased in governmental activities by \$3,947 and decreased in business-type activities by \$167,475. The Town's overall financial position did not improve during the fiscal year ending September 30, 2019, as total net position decreased by 7.93%. The Town's net position for the year ended September 30, 2018 decreased in governmental activities by \$186,707 and decreased in business-type activities by \$168,933.

The largest category of net position is "Net Investment in Capital Assets." This category reflects the total invested in capital assets (land, buildings, equipment, infrastructure, utility system improvements, etc.). These capital assets are used to provide services to citizens and do not represent resources available for future spending.

TOWN OF MELVILLE, LOUISIANA

Management's Discussion and Analysis
For the Year Ended September 30, 2019
(Continued)

The following is a condensed statement of the Town's activities for the year ended September 30, 2019:

<u>Revenues:</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Percentage</u>
Program:				
Charges for services	\$ 102,537	\$ 403,293	\$ 505,830	63%
Operating grants and contributions	20,331	-	20,331	3%
Capital grants and contributions	12,500	-	12,500	2%
General:				
Property tax	18,263	-	18,263	2%
Franchise tax	64,735	-	64,735	8%
Sales tax	125,868	-	125,868	16%
Interest	5,366	-	5,366	1%
Other	<u>100,121</u>	<u>(46,947)</u>	<u>53,174</u>	<u>7%</u>
Total Revenues	<u>449,721</u>	<u>356,346</u>	<u>806,067</u>	<u>100%</u>
Program Expenses:				
General government	697,088	-	697,088	72%
Public safety:				
Police	17,952	-	17,952	2%
Fire	5,605	-	5,605	1%
Public works:				
Streets	14,939	-	14,939	2%
Cultural and recreational	1,286	-	1,286	0%
Gas, water and sewer	<u>-</u>	<u>232,725</u>	<u>232,725</u>	<u>24%</u>
Total Program Expenses	<u>736,870</u>	<u>232,725</u>	<u>969,595</u>	<u>100%</u>
Excess (Deficiency)	(287,149)	123,621	(163,528)	
Transfers In (Out)	<u>291,096</u>	<u>(291,096)</u>	<u>-</u>	
Change in Net Position	3,947	(167,475)	(163,528)	
Beginning Net Position	<u>257,492</u>	<u>1,804,615</u>	<u>2,062,107</u>	
Ending Net Position	<u>\$ 261,439</u>	<u>\$ 1,637,140</u>	<u>\$ 1,898,579</u>	

TOWN OF MELVILLE, LOUISIANA

Management's Discussion and Analysis
For the Year Ended September 30, 2019
(Continued)

The following is a condensed statement of the Town's activities for the year ended September 30, 2018:

<u>Revenues:</u>	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>Percentage</u>
Program:	Activities	Activities		
Charges for services	\$ 41,524	\$ 480,474	\$ 521,998	52%
Operating grants and contributions	21,093	-	21,093	2%
Capital grants and contributions	119,940	-	119,940	12%
General:				
Property tax	18,752	-	18,752	2%
Franchise tax	65,542	-	65,542	7%
Sales tax	156,881	-	156,881	15%
Interest	6,049	25	6,049	1%
Other	81,038	16,529	97,567	9%
Total Revenues	<u>510,819</u>	<u>497,028</u>	<u>1,007,822</u>	<u>100%</u>
<u>Program Expenses:</u>				
General government	899,238	-	899,238	66%
Public safety:				
Police	15,414	-	15,414	1%
Fire	40,832	-	40,832	3%
Public works:				
Streets	58,501	-	58,501	4%
Cultural and recreational	7,576	-	7,576	1%
Gas, water and sewer	-	341,926	341,926	25%
Total Program Expenses	<u>1,021,561</u>	<u>341,926</u>	<u>1,363,487</u>	<u>100%</u>
Excess (Deficiency)	(510,742)	155,102	(355,665)	
Transfers In (Out)	<u>324,035</u>	<u>(324,035)</u>	-	
Change in Net Position	(186,707)	(168,933)	(355,640)	
Beginning Net Position	<u>444,200</u>	<u>1,973,548</u>	<u>2,417,748</u>	
Ending Net Position	<u>\$ 257,492</u>	<u>\$ 1,804,615</u>	<u>\$ 2,062,107</u>	

The condensed Statement of Activities presents revenues, expenses, and changes in net position separately for governmental activities and business-type activities. The condensed format allows for presentation of Program Revenues (Charges for Services, Operating Grants and Contributions, and Capital Grants and Contributions) followed by a listing of General Revenues to support the Town's overall governmental or business-type activities. Expenses are presented on a functional basis.

As noted above, there are two categories of revenues on the Statement of Activities – “Program Revenues” and “General Revenues.” “Program Revenues” derive directly from the program itself or from parties outside the Town’s taxpayers or citizenry, as a whole; they reduce the net cost of the function to be financed from the government’s “General Revenues.” “Program Revenues” are further divided into Charges for Services, Operating Grants and Contributions, and Capital Grants and Contributions. The

TOWN OF MELVILLE, LOUISIANA

Management's Discussion and Analysis For the Year Ended September 30, 2019 (Continued)

major revenues in governmental activities for the Town in the Charges for Services sub-category are \$17,952 for police, \$5,605 for fire and \$1,286 for cultural and recreational for the fiscal year ended September 30, 2019, and \$15,414 for police, \$40,832 for fire, \$7,576 for cultural and recreational for the fiscal year ended September 30, 2018.

"Revenues" include all revenues not required to be reported as "Program Revenues". All taxes are to be reported by type. The major tax revenues for the Town of Melville are sales tax revenues of \$125,868 property taxes of \$18,263, and franchise taxes of \$64,735 for the year ended September 30, 2019. The major tax revenues for the year ended September 30, 2018, are sales tax revenues of \$156,881 property taxes of \$18,752, and franchise taxes of \$65,542. Other "General Revenues" reported for the year ended September 30, 2019 includes \$5,366 in interest and investment earnings, \$32,730 in Racino Income and \$57,504 in miscellaneous revenues.

"Program Expenses" for the governmental funds are presented in the above Condensed Statement of Activities by function and total \$969,595 and \$1,363,487 (including interest on long-term debt) for the fiscal years ended September 30, 2019 and 2018, respectively.

Business-Type Activities provided by the Town of Melville consists of water and sewer utilities. All revenues are in the category of "Program Revenues", with the exceptions of interest income and miscellaneous income reported as "General Revenue." "Program Revenues" in the Charges for Services sub-category consists of billings of \$142,410 for water, \$132,838 for gas, and \$128,045 for sewer for the year ended September 30, 2019, and \$206,491 for water, \$136,468 for gas, and \$137,515 for sewer for the fiscal year ended September 30, 2018.

The Town reports the total amount of expenses for operation of the utility system as \$232,725 and \$341,926 for the years ended September 30, 2019 and 2018, respectively. The "Change in Net Position" (revenues less expenses) for the utility system was (\$167,475) and (\$168,933) for the fiscal years ended September 30, 2019 and 2018, respectively.

Capital Assets and Long-Term Debt

The Town's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of September 30, 2019 was \$524,637 and \$2,889,436, respectively, and \$518,927 and \$3,047,696, respectively, as of September 30, 2018. For the year ended September 30, 2019, net investment for governmental type activities increased by 1% while net investment for business-type activities decreased by 5%. There was an overall decreased in capital asset investment for the Town as a whole of 4.28% for the year ended September 30, 2019.

TOWN OF MELVILLE, LOUISIANA

Management's Discussion and Analysis
For the Year Ended September 30, 2019
(Continued)

The following tables provide a summary of capital asset activity for 2019:

	<u>Balance</u> 10/1/2018	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 9/30/2019
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 92,159	\$ -	\$ -	\$ 92,159
Other capital assets:				
Buildings	704,741	-	-	704,741
Infrastructure	38,179	77,699	-	115,878
Equipment	<u>809,336</u>	<u>8,596</u>	-	<u>817,932</u>
Totals	1,644,415	86,295	-	1,730,710
Less accumulated depreciation:				
Buildings	452,474	19,901	-	472,375
Infrastructure	38,179	17,747	-	55,926
Equipment	<u>634,835</u>	<u>42,937</u>	-	<u>677,772</u>
Total accumulated depreciation	1,125,488	80,585	-	1,206,073
Governmental activities:				
Capital assets, net	<u>\$ 518,927</u>	<u>\$ 5,710</u>	<u>\$ -</u>	<u>\$ 524,637</u>
Business-type activities:				
Other capital assets:				
Gas	\$ 1,388,462	\$ -	\$ -	\$ 1,388,462
Sewer	4,481,626	-	-	4,481,626
Water	<u>1,619,140</u>	-	-	<u>1,619,140</u>
Totals	7,489,228	-	-	7,489,228
Less accumulated depreciation:				
Gas	1,272,725	20,136	-	1,292,861
Sewer	2,141,732	93,449	-	2,235,181
Water	<u>1,027,075</u>	<u>44,675</u>	-	<u>1,071,750</u>
Total accumulated depreciation	4,441,532	158,260	-	4,599,792
Business-type activities:				
Capital assets, net	<u>\$ 3,047,696</u>	<u>\$ (158,260)</u>	<u>\$ -</u>	<u>\$ 2,889,436</u>

TOWN OF MELVILLE, LOUISIANA

Management's Discussion and Analysis
For the Year Ended September 30, 2019
(Continued)

The following tables provide a summary of capital asset activity for 2018:

	Balance 10/1/2017	Additions	Deletions	Balance 9/30/2018
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 92,159	\$ -	\$ -	\$ 92,159
Other capital assets:				
Buildings	650,977	53,765	-	704,742
Infrastructure	38,179	-	-	38,179
Equipment	804,299	5,037	-	809,336
Totals	1,585,614	58,802	-	1,644,416
Less accumulated depreciation:				
Buildings	436,261	16,214	-	452,475
Infrastructure	38,179	-	-	38,179
Equipment	577,589	57,246	-	634,835
Total accumulated depreciation	1,052,029	73,460	-	1,125,489
Governmental activities:				
Capital assets, net	\$ 533,585	\$ (14,658)	\$ -	\$ 518,927
	Balance 10/1/2017	Additions	Deletions	Balance 9/30/2018
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 303	\$ -	\$ (303)	\$ -
Other capital assets:				
Gas	1,387,242	1,220	-	1,388,462
Sewer	4,481,625	-	-	4,481,625
Water	1,613,006	6,134	-	1,619,140
Totals	7,482,176	7,354	(303)	7,489,227
Less accumulated depreciation:				
Gas	1,252,653	20,072	-	1,272,725
Sewer	2,046,914	94,818	-	2,141,732
Water	983,192	43,883	-	1,027,075
Total accumulated depreciation	4,282,759	158,773	-	4,441,532
Business-type activities:				
Capital assets, net	\$ 3,199,417	\$ (151,419)	\$ (303)	\$ 3,047,695

TOWN OF MELVILLE, LOUISIANA

Management's Discussion and Analysis For the Year Ended September 30, 2019 (Continued)

Required Supplementary Information

In addition to this MD&A and the basic financial statements, this report also presents certain Required Supplementary Information. This Required Supplementary Information for the Town of Melville includes the Budgetary Comparison Schedule for the general fund and special revenue fund.

The presentation under the GASB 34 standard requires disclosure of both the original and the final budget. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year, whenever signed into law or otherwise legally authorized.

Contacting the Town's Financial Management

This financial report is designed to provide a general overview of the Town's finances, comply with finance-related laws and regulations, and demonstrate the Town's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the Town's clerk at (337) 623-4226, or 516 Church Street, Melville, Louisiana 71353.

Mayor, Town of Melville, Louisiana

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

TOWN OF MELVILLE, LOUISIANA

Statement of Net Position
September 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments - cash equivalents	\$ 219,353	\$ 1,833	\$ 221,186
Receivables, net	30,978	20,427	51,405
Prepaid insurance	-	3,072	3,072
Internal balances	76,902	(76,902)	-
Total current assets	327,233	(51,570)	275,663
Noncurrent assets:			
Restricted assets:			
Cash and interest-bearing deposits	-	27,660	27,660
Capital assets:			
Capital assets, net	524,637	2,889,436	3,414,073
Total noncurrent assets	524,637	2,917,096	3,441,733
Total assets	\$ 851,870	\$ 2,865,526	\$ 3,717,396
LIABILITIES			
Current liabilities:			
Accounts payables	\$ 213,540	\$ 2,005	\$ 215,545
Accrued expenses	123,624	-	123,624
Other current liabilities	38,361	-	38,361
Current portion of loan payable	19,650	-	19,650
Current portion of bonds	8,000	39,934	47,934
Total current liabilities	403,175	41,939	445,114
Noncurrent liabilities:			
Customers' deposits	-	52,112	52,112
Compensated absences	4,956	-	4,956
Loan payable	100,300	-	100,300
Bonds payable	82,000	1,134,335	1,216,335
Total noncurrent liabilities	187,256	1,186,447	1,373,703
Total liabilities	590,431	1,228,386	1,818,817
NET POSITION			
Invested in capital asset, net of related debt	314,687	1,755,101	2,069,788
Restricted for debt service	100,300	39,934	140,234
Unrestricted (deficit)	(153,548)	(157,895)	(311,443)
Total net position	\$ 261,439	\$ 1,637,140	\$ 1,898,579
Total liabilities and net position	\$ 851,870	\$ 2,865,526	\$ 3,717,396

The accompanying notes are an integral part of the basic financial statements.

TOWN OF MELVILLE, LOUISIANA

Statement of Activities
For the Year Ended September 30, 2019

Activities	Expense	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contribution	Governmental Activities	Business-Type Activates	Total
Governmental activities:							
General government	\$ 697,088	\$ 59,876	\$ 20,331	\$ 12,500	\$ (604,381)	\$ -	\$ (604,381)
Public safety:							
Police	17,952	11,152	-	-	(6,800)	-	(6,800)
Fire	5,605	27,382	-	-	21,777	-	21,777
Streets	14,939	-	-	-	(14,939)	-	(14,939)
Cultural and recreational	1,286	4,127	-	-	2,841	-	2,841
Total governmental activities	<u>736,870</u>	<u>102,537</u>	<u>20,331</u>	<u>12,500</u>	<u>(601,502)</u>	<u>-</u>	<u>(601,502)</u>
Business-type activities:							
Gas	74,092	132,838	-	-	-	58,746	58,746
Water	104,248	142,410	-	-	-	38,162	38,162
Sewer	54,385	128,045	-	-	-	73,660	73,660
Inteset expenses	46,958	-	-	-	-	(46,958)	(46,958)
Total business-type activities	<u>279,683</u>	<u>403,293</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>123,610</u>	<u>123,610</u>
Total	<u>1,016,553</u>	<u>505,830</u>	<u>20,331</u>	<u>12,500</u>	<u>(601,502)</u>	<u>123,610</u>	<u>(477,892)</u>
General revenues:							
Taxes							
Property taxes					18,263	-	18,263
Beer tax					952	-	952
Sales and use taxes, levied for general purposes					125,868	-	125,868
Franchise taxes					64,735	-	64,735
Licenses and permits					8,770	-	8,770
Racino income					32,895	-	32,895
Interest and investment earnings					5,366	11	5,377
Miscellaneous					57,504	-	57,504
Other government					-	-	-
Transfers, net					<u>291,096</u>	<u>(291,096)</u>	<u>-</u>
Total general revenues and transfers					<u>605,449</u>	<u>(291,085)</u>	<u>314,364</u>
Change in net position					3,947	(167,475)	(163,528)
Net position - October 01, 2018					<u>257,492</u>	<u>1,804,615</u>	<u>2,062,107</u>
Net position - September 30, 2019					<u>\$ 261,439</u>	<u>\$ 1,637,140</u>	<u>\$ 1,898,579</u>

The accompanying notes are an integral part of the basic financial statements.

FUND FINANCIAL STATEMENTS (FFS)

TOWN OF MELVILLE, LOUISIANA

Balance Sheet
Governmental Funds
September 30, 2019

	General	1982 Sales Tax Special Revenue	1989 Sales Tax Special Revenue	Totals
ASSETS				
Cash and interest-bearing deposits	\$ 213,304	\$ 1,324	\$ 4,725	\$ 219,353
Receivables, net	30,978	-	-	30,978
Due from other funds	76,902	-	-	76,902
Total assets	\$ 321,184	\$ 1,324	\$ 4,725	\$ 327,233
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 213,540	\$ -	\$ -	\$ 213,540
Accrued expenses	123,624	-	-	123,624
Other current liabilities	38,361	-	-	38,361
Total liabilities	375,525	-	-	375,525
Fund balances:				
Unassigned (deficit)	(54,341)	1,324	4,725	(48,292)
Total fund balances	(54,341)	1,324	4,725	(48,292)
Total liabilities and fund balances	\$ 321,184	\$ 1,324	\$ 4,725	\$ 327,233

The accompanying notes are an integral part of the basic financial statements.

TOWN OF MELVILLE, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2019

Total fund balances for governmental funds at September 30, 2019		\$ (48,292)
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The assets consist of:		
Land	92,159	
Building, net of \$472,375 accumulated depreciation	232,366	
Equipment and vehicles, net of \$733,698 accumulated depreciation	<u>200,112</u>	<u>524,637</u>
Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long term are reported in the Statement of Net Position.		
Long-term liability at September 30, 2019 are:		
Debt obligations	(209,950)	
Compensated absences	<u>(4,956)</u>	<u>(214,906)</u>
Total net position of governmental activities at September 30, 2019		<u>\$ 261,439</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF MELVILLE, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2019

	General	1982 Sales Tax Special Revenue	1989 Sales Tax Special Revenue	Total
Revenues:				
General Revenue				
Taxes	\$ 41,390	\$ 57,449	\$ 68,417	\$ 167,256
Licenses and permits	8,935	-	-	8,935
Racino income	32,730	-	-	32,730
Fire truck assessment	5,241	-	-	5,241
Investment earnings	5,367	-	-	5,367
Miscellaneous	57,504	-	2	57,506
Program Revenue				
Charges for services: cultural and recreational	139,855	-	-	139,855
Capital grant	32,831	-	-	32,831
Total revenues	<u>323,853</u>	<u>57,449</u>	<u>68,419</u>	<u>449,721</u>
Expenditures:				
Current				
General government	540,330	-	-	540,330
Public safety:				
Police	17,952	-	-	17,952
Fire	5,605	-	-	5,605
Highways and streets	14,939	-	-	14,939
Cultural and recreational	1,286	-	-	1,286
Capital outlay	86,295	-	-	86,295
Total expenditures	<u>666,407</u>	<u>-</u>	<u>-</u>	<u>666,407</u>
Excess (deficiency) of revenues over expenditures	<u>(342,554)</u>	<u>57,449</u>	<u>68,419</u>	<u>(216,686)</u>
Other financing sources (uses):				
Transfers in	545,927	-	-	545,927
Transfers out	<u>(124,639)</u>	<u>(59,423)</u>	<u>(70,769)</u>	<u>(254,831)</u>
Total other financing sources (uses)	<u>421,288</u>	<u>(59,423)</u>	<u>(70,769)</u>	<u>291,096</u>
Net changes in fund balances	78,734	(1,974)	(2,350)	74,410
Fund balances, beginning	<u>(133,075)</u>	<u>3,298</u>	<u>7,075</u>	<u>(122,702)</u>
Fund balances, ending	<u>\$ (54,341)</u>	<u>\$ 1,324</u>	<u>\$ 4,725</u>	<u>\$ (48,292)</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF MELVILLE, LOUISIANA

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2019

Total net changes in fund balances for the year ended September 30, 2019 per
Statement of Revenues, Expenditures and Changes in Fund Balances \$ 74,410

The change in net position reported for governmental activities in the Statement of
Activities is different because:

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

Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balances	86,295	
Depreciation expense for the year ended September 30, 2019	<u>(80,585)</u>	5,710

The liability and expense for compensated absences are not reported in
governmental funds. Instead, payments for compensated absences are reported as
salaries when they occur. Only the payment consumes current financial resources
and it would take a current. (4,956)

The issuance of long-term debt provides current financial resources to governmental
funds. In the statement of net position, however, issuing debt increases long-term
liabilities and does not affect the statement of activities. Similarly, repayment of
principal is an expenditure in the governmental funds but reduces the liability in the
statement of activities.

Scheduled principal payments on debt		<u>(71,217)</u>
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Total changes in net position at September 30, 2019 per Statement of Activities \$ 3,947

The accompanying notes are an integral part of the basic financial statements.

TOWN OF MELVILLE, LOUISIANA

Statement of Net Position
Proprietary Funds
September 30, 2019

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,833
Prepaid insurance	3,072
Receivables, net	<u>20,427</u>
Total current assets	<u>25,332</u>

Noncurrent assets:

Restricted cash	27,660
Capital assets, net of accumulated depreciation	<u>2,889,436</u>
Total noncurrent assets	<u>2,917,096</u>

TOTAL ASSETS \$2,942,428

LIABILITIES

Current liabilities:

Accounts payable	\$ 2,005
Current portion of bonds payable	39,934
Due to other funds	<u>76,902</u>
Total current liabilities	<u>118,841</u>

Noncurrent liabilities:

Customers' deposits	52,112
Bonds payable	<u>1,134,335</u>
Total noncurrent liabilities	<u>1,186,447</u>

Total liabilities 1,305,288

NET POSITION

Invested in capital assets, net of related debt	1,715,167
Restricted for debt service	39,934
Unrestricted (deficit)	<u>(117,961)</u>
Total net position	<u>1,637,140</u>

TOTAL LIABILITIES AND FUND BALANCE \$2,942,428

The accompanying notes are an integral part of the basic financial statements.

TOWN OF MELVILLE, LOUISIANA

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2019

Operating revenues:

Charges for services	
Gas sales	\$ 132,838
Water sales	142,410
Sewer sales	<u>128,045</u>
Total operating revenues	403,293

Operating expenses:

Gas department expenses	74,092
Water department expenses	104,248
Sewer department expenses	<u>54,385</u>
Total operating expenses	<u>232,725</u>

Operating income	<u>170,568</u>
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Non-operating revenues (expenses):

Interest income	11
Interest expenses	<u>(46,958)</u>
Total nonoperating revenues (expenses)	<u>(46,947)</u>

Income before contributions and transfers	<u>123,621</u>
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Other Financing Sources (Uses):

Transfers in	61,530
Transfers out	<u>(352,626)</u>
Total Transfers	(291,096)

Change in net position	(167,475)
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Net position, beginning	<u>1,804,615</u>
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Net position, ending	<u>\$ 1,637,140</u>
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The accompanying notes are an integral part of the basic financial statements.

TOWN OF MELVILLE, LOUISIANA

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2019

Cash flows from operating activities:	
Receipts from customers	\$ 411,873
Payments to suppliers	(43,885)
Other operating receipts	11,162
Other operating payments	<u>(56,190)</u>
Net cash provided by operating activities	322,960
Cash flows from noncapital financing activities:	
Noncapital transfers to other funds	(291,096)
Due to other funds	<u>76,902</u>
Net cash (used) provided by non-capital financing activities	(214,194)
Cash flows from capital and related financing activities:	
Principal paid on capital debt	(89,618)
Interest expense	<u>(46,958)</u>
Net cash used for capital and related financing activities	(136,576)
Cash flows from investing activities:	
Proceeds from interest income	<u>11</u>
Net cash (used) provided by investing activities	<u>11</u>
Net increase (decrease) in cash and cash equivalents	(27,799)
Cash and Cash equivalents, (including restricted cash)	
Beginning of period	<u>57,292</u>
End of period	<u>\$ 29,493</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF MELVILLE, LOUISIANA

Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended September 30, 2019

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income	\$ 170,568
Adjustments to reconcile operating income to net cash provided (used by) operating activities:	
Depreciation and amortization	158,260
(Increase) decrease in:	
Receivables, net	3,605
Prepaid insurance	(1,536)
Increase (decrease) in:	
Accrued expenses	(12,909)
Customers deposits	<u>4,972</u>
Net cash (used) provided by operating activities	<u>\$ 322,960</u>

Reconciliation of Cash

Cash and cash equivalents	\$ 1,833
Restricted cash	<u>27,660</u>
Total cash	<u>\$ 29,493</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements
For the Year Ended September 30, 2019

Note 1 - Summary of Significant Accounting Policies

The accompanying financial statements of the Town of Melville ("Town") have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board ("GASB") pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

The Town follows GASB Statement No.34 Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant features of the Statement include the following:

- A Management’s Discussion and Analysis ("MD&A") section is provided which includes an analysis of the Town’s overall financial position and results of operations.
- Financial statements are prepared using full accrual accounting for all the Town’s activities, including infrastructure (roads, bridges, etc.); and
- Fund financial statements with a focus on the major funds.

Financial Reporting Entity

The Town of Melville was incorporated under the provisions of the Lawrason Act. The Town operates under the Mayor-Board of Aldermen form of government. This report includes all funds that are controlled by or dependent on the Town's executive and legislative branches (the Mayor and Board of Aldermen). Control by or dependence on the Town was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

Based on the foregoing criteria, there are no component units’ governmental organizations that are included as part of the Town.

Basis of Presentation

Government-wide Financial Statements (GWFS)

The government-wide financial statements (GWFS i.e., the statement of net position and the statement of activities) display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues for the 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. Program revenues include (a) fees, fines, and charges paid by the

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements For the Year Ended September 30, 2019 (Continued)

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 program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The various funds of the Town are classified into two categories: governmental and proprietary. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

All funds of the Town are considered to be major funds and are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

Special revenue funds are used for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes

Proprietary Funds

Enterprise Fund

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the 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

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements For the Year Ended September 30, 2019 (Continued)

periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds operating and non-operating revenues and expenses:

Proprietary funds distinguish operating revenues and expenses from non-operating 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. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements, Basis of accounting refers to "when" revenues, expenditures, expenses, and transfers - and assets, deferred outflows of resources, liabilities, and deferred inflows of resources - are recognized in the accounts and reported in the financial statements,

Measurement Focus

On the government-wide statement of net position and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b, below.

In the fund financial statements, the "current financial resources" measurement focusses, or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus, only current financial assets and liabilities are generally included on their balance sheets, their operating statements present sources and uses of available spendable financial resources during a given period, these funds use fund balance as their measure of available spendable financial resources at the end of the period,
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows, all assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements For the Year Ended September 30, 2019 (Continued)

resources, liabilities and deferred inflows of resources resulting from exchange and exchange like transactions are recognized when the exchange takes place.

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 (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used.

Assets, Deferred Outflows, Liabilities, Deferred Inflows and Equity

Cash and interest-bearing deposits

For purposes of the statement of net position, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposits of the Town. For the purpose of the proprietary fund statement of cash flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit with an original maturity of three months or less.

Interfund receivables and payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds". Short-term interfund loans are reported as "interfund receivables and payables". Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds". Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales and use taxes, and franchise fees. Business-type activities report customer's utility service receivables as their major receivables. Uncollectible utility service receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the un-collectability of the particular receivable. Unbilled utility service receivables resulting from utility services rendered between the date of meter reading and billing and the end of the month, are not recorded due to immateriality at September 30, 2019.

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements
For the Year Ended September 30, 2019
(Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide or fund 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 Town maintains a threshold level of \$500 or more for capitalizing capital assets.

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.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	40 years
Equipment and vehicles	3-10 years
Utility system and improvements	10-50 years
Infrastructure	40 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and interest-bearing deposits of the proprietary fund that are legally restricted as to their use. The restricted assets are related to the revenue bond accounts and utility meter deposits.

Long-term debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of revenue bonds payable and utility meter deposits payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund financial statements as it is in the government-wide statements.

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements For the Year Ended September 30, 2019 (Continued)

Compensated Absences

Vacation and sick leave are recorded as expenditures of the period in which paid. Each full-time, permanent employee earns five days of sick leave per year up to a maximum of thirty days for major illness. Employees who resign or retire or who are dismissed from employment shall not be paid for any accrued sick leave. Management has recorded a liability for compensated absences in governmental activities and, accordingly, has recorded an expense for the current period change in that liability.

Deferred Outflows of Resources and Deferred Inflows of Resources

In some instances, the GASB requires a government to delay recognition of decreases in net position as expenditure until a future period. In other instances, governments are required to delay recognition of increases in net position as revenues until a future period. In these circumstances, deferred outflows of resources and deferred inflows of resources result from the delayed recognition of expenditures or revenues, respectively.

Equity Classifications

In the government-wide statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
- b. Restricted net position - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.
- c. Unrestricted net position - consist of all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

In the fund financial statements, government fund equity is classified as fund balance. As such, fund balances of the governmental funds are classified as follows.

- a. Non-spendable - amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- c. Committed - amounts that can be used only for specific purposes determined by a formal decision of the Town's Mayor and Board of Aldermen, which is the highest level of decision-making authority for the Town.

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements For the Year Ended September 30, 2019 (Continued)

- d. Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Town's adopted policy, only the Mayor and Board of Aldermen may assign amounts for specified purposes.
- e. Unassigned - all other spendable amounts.

When expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town has provided otherwise in their commitment or assignment actions.

Proprietary fund equity is classified the same as in the government-wide statements.

Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

- Governmental Funds - by character
- Proprietary Fund - by operating and non-operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Inter-fund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Revenue Restrictions

The Town has various restrictions placed over certain revenue sources from state or local requirements.

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements
For the Year Ended September 30, 2019
(Continued)

The primary restricted revenue sources include:

<u>Revenue Sources</u>	<u>Legal Restrictions of Use</u>	<u>Legal Restrictions of Use</u>
Sales tax		See Note 9
Gas and sewer utility revenue		See Note 8

The Town uses unrestricted resources only when restricted resources are fully depleted.

Budgets and Budgetary Accounting

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

1. The Town Clerk prepares a proposed operating budget for the fiscal year and submits it to the Mayor and Board of Aldermen not 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 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 transfers 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.
6. All budgetary appropriations lapse at the end of the fiscal year.
7. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as finally amended by the Board of Aldermen. Such amendments were not material in relation to the original appropriations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ materially from those estimates.

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements
For the Year Ended September 30, 2019
(Continued)

Note 2 - Cash and Interest-Bearing Deposits

Under state law, the Town may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Town may invest in certificates and time deposits of state banks organized under Louisiana Law and national banks having principal offices in Louisiana. At September 30, 2019, the Town had cash and interest-bearing deposits (book balances) totaling \$221,186.

The cash equivalents and investments of the Town are subject to the following risks.

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of investments. The Town does not have a policy addressing interest rate risk.

Credit risk under state law, the Town may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Town may invest in United States bonds, treasury notes and bills, government backed agency securities or certificates and time deposits of state banks organized under Louisiana law and national banks having principal officers in Louisiana.

Custodial credit risk is the risk that in event of a bank failure, the government’s deposit may not be returned to it. Louisiana Revised Statutes 39:1218-1229 required the collateralization of local government deposits that are greater than the amount insured by the Federal Depository Insurance Coverage (FDIC) limit (currently \$250,000 per institution).

These securities are held in the name of the Town or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties. The bank balance of \$ 248,846 was fully secured by FDIC. Deposit balances (bank balances) at September 30, 2019 were as follows:

	Governmental Activities	Business-Type Activities	Totals
Petty Cash	\$ -	\$ -	\$ -
Demand deposits	157,454	-	157,454
Cash on hand	61,899	1,833	63,732
Restricted cash	-	27,660	27,660
Total	\$ 219,353	\$ 29,493	\$ 248,846

Note 3 - Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October and are actually billed to taxpayers in December. Billed taxes become delinquent on January 1 of the following year. The Town bills and collects its own property taxes using the assessed values determined by the Tax Assessor of St. Landry Parish. Property tax revenues are recognized when levied to the extent that they result in current receivables.

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements
For the Year Ended September 30, 2019
(Continued)

For the year ended September 30, 2019, taxes of 6.34 mills were levied on property with assessed valuations totaling \$2,929,620 and were dedicated as follows: General corporate purposes 6.34 mills, total property taxes, levied for general purposes were \$18,575. Uncollected ad valorem taxes at September 30, 2019 amounted to \$2,259.

Management has not adopted a methodology for reviewing the collectability of ad valorem taxes receivable. Accordingly, management, has not considered the need to provide an allowance for uncollectible amounts.

Note 4 - Restricted Assets

Restricted assets consisted of the following at September 30, 2019:

Business-type activities	<u>\$ 27,660</u>
Total	<u>\$ 27,660</u>

Note 5 - Capital Assets

Capital assets activity for the year ended September 30, 2019 was as follows:

	Balance 10/1/2018	Additions	Deletions	Balance 9/30/2019
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 92,159	\$ -	\$ -	\$ 92,159
Other capital assets:				
Buildings	704,741	-	-	704,741
Infrastructure	38,179	77,699	-	115,878
Equipment	809,336	8,596	-	817,932
Totals	<u>1,644,415</u>	<u>86,295</u>	<u>-</u>	<u>1,730,710</u>
Less accumulated depreciation:				
Buildings	452,474	19,901	-	472,375
Infrastructure	38,179	17,747	-	55,926
Equipment	634,835	42,937	-	677,772
Total accumulated depreciation	<u>1,125,488</u>	<u>80,585</u>	<u>-</u>	<u>1,206,073</u>
Governmental activities:				
Capital assets, net	<u>\$ 518,927</u>	<u>\$ 5,710</u>	<u>\$ -</u>	<u>\$ 524,637</u>

Depreciation expense was charged to governmental activities as follows:

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements
For the Year Ended September 30, 2019
(Continued)

General government	\$	14,505
Police		15,311
Fire		37,875
Streets		<u>12,893</u>
Total depreciation expense	\$	<u><u>80,585</u></u>

	Balance 10/1/2018	Additions	Deletions	Balance 9/30/2019
Business-type activities:				
Capital assets being depreciated:				
Gas	\$ 1,388,462	\$ -	\$ -	\$ 1,388,462
Sewer	4,481,626	-	-	4,481,626
Water	<u>1,619,140</u>	-	-	<u>1,619,140</u>
Totals	<u>7,489,228</u>	-	-	<u>7,489,228</u>
Less accumulated depreciation:				
Gas	1,272,725	20,136	-	1,292,861
Sewer	2,141,732	93,449	-	2,235,181
Water	<u>1,027,075</u>	<u>44,675</u>	-	<u>1,071,750</u>
Total accumulated depreciation	<u>4,441,532</u>	<u>158,260</u>	-	<u>4,599,792</u>
Business-type activities:				
Capital assets, net	<u>\$ 3,047,696</u>	<u>\$ (158,260)</u>	<u>\$ -</u>	<u>\$ 2,889,436</u>

Depreciation expense was charged to business-type activities as follows:

Gas	\$	20,136
Water		93,449
Sewer		<u>44,675</u>
Total depreciation expense	\$	<u><u>158,260</u></u>

Note 6 - Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the Town for the year ended September 30, 2019:

		Business-type Activities Revenue Bonds
Long-term debt payable, October 1, 2018	\$	1,263,887
Long-term debt retired		<u>(89,618)</u>
Long-term debt payable, September 30, 2019	\$	<u><u>1,174,269</u></u>

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements
For the Year Ended September 30, 2019
(Continued)

Long-term debt payable at September 30, 2019 is comprised of the following:

Revenue bonds:

\$1,198,000 Sewer Revenue Bond dated March 2011, due in monthly installments of \$5,247.24 through March 28, 2051; interest at 4.25 percent, secured by system revenue and a 1.2 percent sales and use tax	\$ 1,090,758
\$985,500 Municipal Sewer System bonds dated 7/25/83; due in annual installments of \$29,000- \$65,000 through 7/25/23; interest at 5.0 percent and 7.12 percent, secured by sewer system revenues	83,511
Total Long-Term Debt Payable	\$ 1,174,269

The long-term debt is due as follows:

	<u>Business-type Activities</u>		
<u>Year Ending September 30,</u>	<u>Principal payments</u>	<u>Interest payments</u>	<u>Total debt service</u>
2020	\$ 39,934	\$ 49,726	\$ 89,660
2021-2025	135,915	180,305	316,220
2026-2030	114,173	200,661	314,834
2031-2035	141,152	173,682	314,834
2036-2040	174,507	140,327	314,834
2041-2045	215,743	99,091	314,834
2046-2050	266,724	48,111	314,835
2051-2054	86,121	2,748	88,869
Total	\$ 1,174,269	\$ 894,651	\$ 2,068,920

Fire Truck:

During the year ended September 30, 2015, the Town purchased a 2012 HME International commercial pumper fire truck from KS State Bank. The equipment is recorded in the Town's assets and liabilities. The \$198,170 cost of the fire truck less \$59,451 accumulated depreciation is included in the Town's net capital assets of governmental activities as of September 30, 2019.

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements
For the Year Ended September 30, 2019
(Continued)

The following is a schedule by years of the principal and interest payments related to the long-term debt:

<u>Year Ending September 30,</u>	<u>Principal payments</u>	<u>Interest payments</u>	<u>Total</u>
2020	\$ 19,650	\$ 5,262	\$ 24,912
2021	20,560	4,353	24,913
2022	21,511	3,403	24,914
2023	22,505	2,408	24,913
2024	23,546	1,367	24,913
2025	12,178	279	12,457
Total	<u>\$ 119,950</u>	<u>\$ 17,072</u>	<u>\$ 137,022</u>

Limited Tax Bonds:

The Town issued \$90,000 Limited Tax Bonds, Series 2018 secured by a pledge and dedication of tax revenues. The purpose of issue this bond is to pay costs of making emergency repairs and improvements to the waterworks system. The bond commencing September 1, 2019, due in semi-annually on March 1 and September 1 through September 2019.

The following is a schedule by years of the principal and interest payments related to the long-term debt:

<u>Year Ending September 30,</u>	<u>Principal payments</u>	<u>Interest payments</u>	<u>Total</u>
2020	\$ 8,000	\$ 2,484	\$ 10,484
2021	8,000	2,283	10,283
2022	8,000	2,036	10,036
2023	9,000	1,780	10,780
2024	9,000	1,517	10,517
2025	9,000	1,246	10,246
Thereafter	<u>39,000</u>	<u>2,106</u>	<u>41,106</u>
Total	<u>\$ 90,000</u>	<u>\$ 13,452</u>	<u>\$ 103,452</u>

Note 7 - Flow of Funds; Restrictions on Use - Utilities Revenues

Under the terms of the bond agreements on outstanding Municipal Sewer System revenue bonds dated July 25, 1983 and March 2011. All revenues derived from operation of the Utility System will be pledged and dedicated to the retirement of said bonds upon completion of the sewer project and are to be set aside into the following funds:

On the bond issue, each month there will be set aside into a revenue bond and interest sinking fund account an amount consisting of 1/12 of the next installment of principal and interest on the outstanding bonds. Such payments must be made on or before the 20th day of each month to assure the prompt payment of the principal and interest installments as they become due and may be used only for such payments.

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements For the Year Ended September 30, 2019 (Continued)

Commencing with the first month in which the sewer project has been completed, 5% of the amount to be paid into the sinking fund account each month must be deposited into a reserve account until the sewer reserve fund has a balance of \$26,070 and \$62,967 respectively.

The Town of Melville was not in compliance with terms relating to its Sinking Fund bond agreements for the fiscal year ended September 30, 2019.

Also, commencing with the first month in which the sewer project has been completed, \$284 shall be deposited each month into a sewer depreciation and contingency fund as well as 5% of the amount to be paid monthly into the sinking fund for the bond dated March 2011.

The establishment and maintenance of a Sewerage Short-Lived Assets Depreciation Fund must be maintained by depositing on or before the 20th day of each month an amount of \$615.

The Town of Melville was not in compliance with funding its Sewerage Short-Lived Assets Depreciation Fund bond agreements for the fiscal year ended September 30, 2019.

Note 8 - Dedication of Proceeds and Flow of Funds - Sales and Use Taxes

- A. Proceeds of a 1 percent sales and use tax originally approved by the voters of the Town on September 11, 1982, renewed on August 1, 2008 for ten years and levied by the Town of Melville (2019 collections \$ 57,449) are dedicated to the following purposes:

Providing fire protection to the Town; providing for the operation, maintenance and improvement of the natural gas distribution system and water system of the Town; and paying general operating expenses of the Town.

- B. Proceeds of a 1.2 percent sales and use tax approved by voters of the Town on November 18, 1989 and levied by the Town of Melville for a period of twenty years from the date of the first levy of the tax (2019 collections \$ 68,419); renewed on October 17, 2009 for a period of twenty years and are dedicated to the following purposes:

Constructing, improving, and maintaining public streets and bridges within the Town and maintaining and operating sewers and sewerage disposal facilities of the Town.

Note 9 - Natural Gas Contract

Under a contract renewed annually, the Town of Melville purchases its natural gas from Louisiana Municipal Gas Authority (LMGA). During the fiscal year ended September 30, 2019 the Town's natural gas purchases amounted to \$43,886.

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements
For the Year Ended September 30, 2019
(Continued)

Note 10 - Segment Information - Enterprise Fund

The Town of Melville maintains three utility departments within its enterprise fund that provide gas, water, and sewer services. Segment information for the year ended September 30, 2019 was as follows:

	Gas Department	Water Department	Sewer Department	Total Enterprise
Operating revenues	\$ 129,164	\$ 138,470	\$ 124,500	\$ 392,134
Other operating revenues	<u>3,674</u>	<u>3,940</u>	<u>3,545</u>	<u>11,159</u>
Total operating revenues	<u>132,838</u>	<u>142,410</u>	<u>128,045</u>	<u>403,293</u>
Operating expenses:				
Depreciation	20,136	93,449	44,675	158,260
Other	<u>53,956</u>	<u>10,799</u>	<u>9,710</u>	<u>74,465</u>
Total operating expenses	<u>74,092</u>	<u>104,248</u>	<u>54,385</u>	<u>232,725</u>
Operating income (loss)	<u>\$ 58,746</u>	<u>\$ 38,162</u>	<u>\$ 73,660</u>	<u>\$ 170,568</u>

Note 11 – Compensated absences

Compensated absences are absences for which employees will be paid, such as vacation, sick leave. GASB Statement No.16 requires the compensated absences liability generally to be measured using the pay or salary rates in effect at the balance sheet date. It also requires additional amounts to be accrued for certain salary-related payments associated with the payment of compensated absences, for example, the employer’s share of social security and Medicare taxes. Under the Town's personnel policies, the Town compensated absences were \$4.956.

Note 12 – Inter-fund Transactions

Transfers

Transfers consisted of the following at September 30, 2019:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities:		
General Fund	\$ 545,927	\$ 124,639
Sales Tax Fund	-	130,192
Business-Type Activities:		
Proprietary Fund	<u>61,530</u>	<u>352,626</u>
Total	<u>\$ 607,457</u>	<u>\$ 607,457</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements
For the Year Ended September 30, 2019
(Continued)

Note 13 – Compliance with Proprietary Bond Covenants

A. List of Elected Officials with pertinent information required by the Bond Covenants as of June 30, 2019:

<u>Office Held</u>	<u>Address</u>	<u>Phone Number</u>	<u>Term of Office</u>
Mayor:			
Velma Hendrix	PO Box 116	337-592-0284	2019-2022
Aldermen:			
April Butler	122 Third St	337-592-2313	2019-2022
Linda Haynes	PO Box 138	337-331-5865	2019-2022
Jayme Johnson	318 Comeaux Alley	337-678-9932	2019-2022
Natasha Oliney	306 Oak Street	337-331-5865	2019-2022
Theardis Tieuel Jr.	PO Box 818	337-592-3824	2019-2022

B. The number of residential and commercial users at June 30, 2019.

<u>Type</u>	<u>Total</u>
Residential	24
Commercial	<u>503</u>
Total	<u><u>527</u></u>

C. Current Rates

Water rates in effect at June 30, 2019 for residential users were \$40 and \$54 for the commercial users. Sewerage fee were \$28 for residential users and \$50 for commercial users. In addition, a \$5.75 commercial and \$5.75 residential base fee with \$1.70 commercial and \$1.70 residential fee for each thousand gallons was charged as gas fee.

D. The aging of accounts receivable for the enterprise funds as of September 30, 2019 was as follows:

31-60 days	\$ 12,423
61-90 days	9,429
Over 90 days	2,180
Allowance for doubtful accounts	<u>(3,605)</u>
	<u><u>\$ 20,427</u></u>

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements For the Year Ended September 30, 2019 (Continued)

Note 14 - Retirement Commitments

All employees of the Town of Melville participate in the Social Security system. The Town and its employees contribute a percentage of each employee's salary to the system (7.65 percent contributed by the Town and 7.65 percent by the employee).

Note 15 – Commitments and Contingencies

As of the date of this report, there were no pending or threatening litigation suits involving the Town. The Town is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. There were no significant reductions in the insurance coverage during the fiscal year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior fiscal years.

The Town participates in numerous state grants programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable as of September 30, 2019 may be impaired. In the opinion of Town management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note 16 – Going Concern and Plan of Action

These financial statements have been prepared on a going concern basis, which contemplates the realization on assets and the satisfaction of liability in the normal course of operating activities. During the fiscal year ended September 30, 2019, the Town had a payroll tax liability due to the Internal Revenue Services; large outstanding accounts payable; inability to comply with the bond requirements with regards to the sinking and reserve fund, and sewerage emergency. As result, substantial doubt had been indicated about the ability of the Town to continue as a going concern.

As of September 30, 2019, the Town is in the process of complying to the bond covenant, commitment to monthly settlement for the tax liability. The Town is exploring additional sources of revenues to meet with its obligations. The Town believe that cash generated from operating activities will be sufficient to satisfy its currently debt service requirements and other expenditure. Accordingly, the going concern doubts that existed at the end of the fiscal year 2019 have been alleviated as of January 21, 2021, the date that these financial statements were available to be issued.

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements
For the Year Ended September 30, 2019
(Continued)

Note 17 – Subsequent Events

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a global pandemic, which continues to spread throughout the United States. The COVID-19 pandemic has negatively impacted the global economy and created significant volatility and disruption of financial markets. The extent of impact of the COVID-19 pandemic on the Town’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the impact on its investments, customers, employees and vendors, all of which are uncertain and cannot be predicted or reasonably estimated at this time. No other subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

TOWN OF MELVILLE, LOUISIANA

**GENERAL FUND
Budgetary Comparison Schedule
For the Year Ended September 30, 2019**

	Budget		Actual	Variance with
	Original	Final		Final Budget Favorable (Unfavorable)
Revenues				
Taxes	\$ 86,180	\$ 86,180	\$ 41,389	\$ (44,791)
Licenses and permits	31,369	31,369	8,935	(22,434)
Intergovernmental	39,071	39,071	39,937	866
Fines and forfeits	17,226	17,226	11,565	(5,661)
State grants	85,000	85,000	20,331	(64,669)
Federal grants	11,156	11,156	12,500	1,344
Miscellaneous	45,726	45,726	189,196	143,470
Total Revenues	315,728	315,728	323,853	8,125
Expenditures:				
General government	187,221	187,221	540,330	(353,109)
Public safety:				
Police	200,417	200,417	17,952	182,465
Fire	14,795	14,795	5,605	9,190
Highways and streets	144,315	144,315	14,939	129,376
Cultural and recreational	20,046	20,046	1,286	18,760
Capital Outlay	-	-	86,295	(86,295)
Total Expenditures	566,794	566,794	666,407	(99,613)
Excess(deficiency) of revenues over expenditures	(251,066)	(251,066)	(342,554)	107,738
Other financing sources (uses) :				
Transfer in/out	246,141	246,141	421,288	(175,147)
Total other financing sources (uses) :	246,141	246,141	421,288	(175,147)
Net changes in fund balances	\$ (4,925)	\$ (4,925)	78,734	\$ (67,409)
Fund balances, beginning			(133,075)	
Fund balances, ending			\$ (54,341)	

TOWN OF MELVILLE, LOUISIANA

SPECIAL REVENUE FUND - 1982 SALES TAX

Budgetary Comparison Schedule

For the Year Ended September 30, 2019

	Budget		Actual Amounts GAAP Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes-sales taxes	\$ 71,601	\$ 71,601	\$ 57,449	\$ (14,152)
Intergovernmental-	8,862	8,862	-	(8,862)
Miscellaneous - interest	26	26	-	(26)
Total Revenues	80,489	80,489	57,449	(23,040)
Expenditures:				
General government	3,367	3,367	-	3,367
Public Safety:				-
Police	55,968	55,968	-	55,968
Fire	10,639	10,639	-	10,639
Highways and streets	-	-	-	-
Cultural and recreational	-	-	-	-
Total Expenditures	69,974	69,974	-	69,974
Other financing sources (uses) :				
Transfer in	86,950	86,950	-	86,950
Transfer out	(60,615)	(60,615)	(59,423)	(1,192)
Total other financing sources (uses) :	26,335	26,335	(59,423)	85,758
Net changes in fund balances	\$ 36,850	\$ 36,850	(1,974)	\$ 38,824
Fund balances, beginning			3,298	
Fund balances, ending			\$ 1,324	

See Independent Auditors' Report

TOWN OF MELVILLE, LOUISIANA

SPECIAL REVENUE FUND - 1989 SALES TAX

Budgetary Comparison Schedule

For the Year Ended September 30, 2019

	Budget		Actual Amounts GAAP Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes-sales taxes	\$ 89,721	\$ 89,721	\$ 68,417	\$ (21,304)
Intergovernmental-	-	-	-	-
Miscellaneous - interest	65	65	2	(63)
Total Revenues	89,786	89,786	68,419	(21,367)
Expenditures:				
General government	1,965	1,965	-	1,965
Total Expenditure	1,965	1,965	-	1,965
Other financing sources (uses) :				
Transfer out	(86,950)	(86,950)	(70,769)	(16,181)
Total other financing sources (uses) :	(86,950)	(86,950)	(70,769)	(16,181)
Net changes in fund balances	\$ 871	\$ 871	(2,350)	\$ (39,513)
Fund balances, beginning			7,075	
Fund balances, ending			\$ 4,725	

See Independent Auditors' Report

TOWN OF MELVILLE, LOUISIANA

Schedule of Compensation Paid to the Mayor and Members of the Board of Alderman
For the Year Ended September 30, 2019

The schedule of compensation paid to the Mayor and Council Members was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the mayor and council Members are include in the general administrative expenditures of the General Fund. The Mayor and Council Members receive compensation pursuant to Louisiana Revised Statute 404.1.

October 1, 2018 - January 6, 2019

	<u>Amount</u>
Erana Mayes, Mayor	\$ 2,775
Caretta Robertson, Council Member	300
Velma Hendricks, Council Member	300
Linda Haynes, Council Member	300
Theadis Tieuel, Council Member	300
John Harris, Council Member	<u>300</u>
 Total Mayor's and Council Members' Compensation	 <u>\$ 4,275</u>

Janary 7, 2019 - September 30, 2019

	<u>Amount</u>
Velma Hendricks, Mayor	\$ 8,325
April X. Butler, Council Member	900
Linda Haynes, Council Member	900
Jayme P. Johnson, Council Member	900
Natasha T. Oliney, Council Member	900
Theadis Tieuel, Council Member	<u>900</u>
 Total Mayor's and Council Members' Compensation	 <u>\$ 12,825</u>

See Independent Auditors' Report.

TOWN OF MELVILLE, LOUISIANA

Schedule of Compensation, Benefits and Other Payments to Agency Head
For the Year Ended September 30, 2019

Erana Mayes

October 1, 2018 - January 6, 2019

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 1,575
Car allowance	1,200
Travel	-
Conference registration fees	-
Membership dues	-
Total Compensation, Benefits, and Other Payments to Agency Head	<u>\$ 2,775</u>

Velma Hendricks

January 7, 2019 - September 30, 2019

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 4,725
Car allowance	3,600
Travel	-
Conference registration fees	-
Membership dues	-
Total Compensation, Benefits, and Other Payments to Agency Head	<u>\$ 8,325</u>

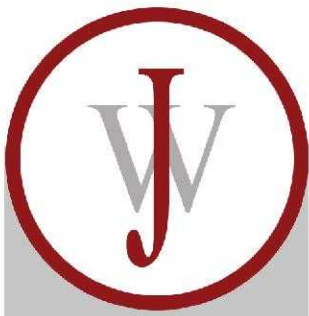
TOWN OF MELVILLE, LOUISIANA

SCHEDULE OF INSURANCE IN FORCE
For the Year Ended September 30, 2019

Insurance Company	Expiring Date	Policy Description	Policy Limits	Policy Number
The Hanover Insurance Group	11/21/2019	Commercial Property Coverage	\$1,000 Windstorm/Hail Deductible \$1,000 Theft Deductible \$1,000 Other Deductible \$7,000 limit of insurance	RHO 526002522
Louisiana Municipal Risk Management Agency	7/31/2019	Commercial General Liability - Bodily Injury and Property Damage	\$500,000 per occurrence Premises Operations \$500,000 Aggregate Product Completed Operation \$1,000 person; \$10,000 per accident Medical Payments \$50,000 per occurrence Fire Legal Liability	100-0365-2018-16831
Louisiana Municipal Risk Management Agency	7/31/2019	Law Enforcement Officer - Personal Injury and Property Damage	\$1,000 Deductible	100-0365-2018-16831
Louisiana Municipal Risk Management Agency	7/31/2019	Errors and Omissions	\$1,000 Deductible	100-0365-2018-16831
Louisiana Municipal Risk Management Agency	7/31/2019	Automobile Liability - Bodily Injury and Property Damage		100-0365-2018-16831
The Cashion Company	2/1/2020	Commercial General Liability	\$1,000,000 Each Occurrence \$100,000 Damage to Rented \$5,000 Med. Exp. (any one person) \$1,000 Personal & Adv. Injury \$5,000,000 General Aggregate \$2,000,000 Products - Comp/OP \$1,000,000 Employee Benefit	Y-6300-283D1240-COF-19
The Cashion Company	2/1/2020	Automobile Liability	\$1,000,000 combined single limit (each accident)	Y-810-221K6307
The Cashion Company	2/1/2020	Worker Comp and Employers' Liability	\$1,000,000 Each Accident \$1,000,000 Disease - Each Employee \$1,000,000 Disease - Policy limit	UB-Ok004002-19
LWCC	1/25/2020	Workers Comp	500,000 Bodily Injury by accident - Each employee 500,000 Bodily Injury by Disease - Policy Limit 500,000 Bodily Injury by Disease - Each Employee	

See Independent Auditors' Report.

INTERNAL CONTROL, COMPLIANCE, AND OTHER MATTERS



J. WALKER & COMPANY^{APC}

ACCOUNTANTS AND ADVISORS

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*

Honorable Velma Hendricks, Mayor
and Members of the Board of Aldermen
Town of Melville, Louisiana

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Melville, Louisiana, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Melville, Louisiana's basic financial statements and have issued our report thereon dated January 21, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Melville, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Melville, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Melville, Louisiana's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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. We consider the deficiencies described in the accompanying schedule of findings and responses as items [2019-01, 2019-02, 2019-04] to be material weaknesses.

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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 responses as items [2019-03, 2019-5] to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Melville, Louisiana's financial statements are free from 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 an instance 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 responses as items [2019-04, 2019-05].

Town of Melville, Louisiana's Response to Findings

The Town of Melville, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of Melville, Louisiana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

J. Walker & Company, APC

Lake Charles, Louisiana

January 21, 2021



TOWN OF MELVILLE, LOUISIANA

Schedule of Findings and Responses For the Year Ended September 30, 2019

I. Summary of Auditors' Results

a. Financial Statements

1. The independent auditors' report expresses an unmodified opinion on the financial statements of the Town of Melville, Louisiana.
2. There were five (5) control deficiencies disclosed during the audit of the financial statements and reported in the *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*. Three (3) of these deficiencies are reported as material weaknesses, and (2) of these deficiencies are reported as significant deficiencies.
3. There was two (2) instance of noncompliance that are reported in the *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*.

b. Federal Awards

N/A

c. Management Letter

No management letter was issued in connection with the audit for the year ended September 30, 2019.

TOWN OF MELVILLE, LOUISIANA

Schedule of Findings and Responses
For the Year Ended September 30, 2019

II. Findings – Financial Statement Audit

INTERNAL CONTROL AND COMPLIANCE FINDINGS

2019-01 Improvement of Controls

Fiscal Year Finding Originated: Unknown.

Condition:

From a sampling of checks and 50 transactions several instances of the following were noted:

- Purchase orders for the checks could not be provided.
- Several checks were paid more than 30 days after the invoice date.
- 50 out of 50 invoices for disbursements could not be provided.

Criteria:

Good controls require that appropriate documentation to support all payments is maintained, more than one individual be involved in the disbursement process, and bills be paid on a timely basis to avoid penalties and interest.

Management is responsible for establishing internal control policies and procedures that provide for proper accounting, reasonable assurance that assets are safeguarded against loss resulting from unauthorized use, and that transactions are executed in accordance with management's authorization.

Effective internal control should include vendor disbursements having original documentation (invoices, etc.), proper approval, and paid timely. Payable disbursements should have proper support, salary rates that match salary schedules, and overtime pay approved by appropriate personnel. Debit card and charge account payments should be supported by statements and adequate receipts containing written evidence of appropriate review and approval.

Cause:

Inadequate supervision and monitoring over internal control on purchasing and disbursement.

Effect:

Inadequate controls could potential open the town to potential fraud and potential misuse of public funds.

Recommendation:

Management should develop a formal plan that includes both short-and long-term spending to ensure it can operate within available funding. Controls should be implemented over the disbursement process to ensure that (1) more than one individual is involved in the process (e.g., receiving, recording, reviewing, approving and paying); (2) documentation to support all bills and payments is complete and maintained intact; and (3) all bills are paid timely, including the amounts withheld/deducted from employee paychecks.

TOWN OF MELVILLE, LOUISIANA

Schedule of Findings and Responses
For the Year Ended September 30, 2019
(Continued)

Response:

See Management's response letter.

2019-02 Capital Asset Management

Fiscal Year Finding Originated: Unknown.

Condition:

The Town has taken steps to identify and maintain a schedule of capital assets. Procedures still need to be implemented to tag all Town's assets. Additionally, procedures need to be developed to monitor the additions and deletions of capital assets.

Criteria:

Louisiana Revised Statute (La. R.S.) 24:515 requires the Town to maintain a comprehensive listing of all capital assets.

Cause:

There was no oversight placed on documenting and maintaining an updated and current schedule listing and providing the location of capital assets of the Town.

Effect:

The Town may be in violation of state law; inadequate internal controls exist for the safeguarding of the Town's capital assets.

Recommendation:

Management of the Town should assign an employee as the property manager who will maintain a comprehensive listing of all capital assets, location of assets as well as additions and deletions that occur during the year. Department heads should be given addition and deletion forms and be required to complete the forms as purchases or deletions of capital assets are made and provide a copy to the property manager. The property manager should perform an annual physical inventory of all capital assets and any missing assets identified should be investigated. All assets should be tagged as property of the Town and serial numbers retained by the property manager. Property manager should also maintain records for all construction projects to determine the status of each project and which projects have been completed and should be added to the capital asset listing. The Town has established policies and procedures for identifying, recording, and coordinating an annual inventory of all capital assets, however, the policies and procedures are not being implemented.

Response:

See Management's response letter.

TOWN OF MELVILLE, LOUISIANA

Schedule of Findings and Responses
For the Year Ended September 30, 2019
(Continued)

2019-03 Failure to timely file audit report

Fiscal Year Finding Originated: Unknown

Condition:

The Town failed to submit audited report to LA Legislative Auditor in a timely manner.

Criteria:

La. R.S.24.513 states that “all engagements must be completed and transmitted to the legislative auditor within six months of the close of the auditee’s fiscal year.”

Cause:

The organization failed to engage an auditor in a timely manner.

Effect:

The organization was not in compliance with the State Law governing the completion and submission of audit reports.

Recommendation:

The organization should engage independent auditor in a timely manner to ensure adequate time for completion of audit and the timely filing of report.

Response:

See Management’s response letter.

2019-04 Improper Use of Public/Restricted Funds

Fiscal Year Finding Originated: 2019

Condition:

The Town failed to restrict/reserve sufficient assets to cover liabilities relating to customer deposit fees. The Town records reflect a liability relating to customer deposits in the amount of \$52,112. The amount restricted for deposits at fiscal year-end was \$27,660. The payment was for outstanding tax liabilities owed by the Town to the IRS.

Criteria:

Town should restrict sufficient assets in order to satisfy liabilities relating to customer deposit fees held by the Town.

TOWN OF MELVILLE, LOUISIANA

Schedule of Findings and Responses
For the Year Ended September 30, 2019
(Continued)

Cause:

The Town may have improperly used public/restricted funds.

Effect:

The town was not in compliance with guidelines to set aside sufficient assets to meet deposit liability.

Recommendation:

Management should ensure that sufficient assets are restricted to meet the Town's obligations.

Response:

See Management's response letter.

2019-05 Failure to Maintain Minute Book

Fiscal Year Finding Originated: 2019

Condition:

The Town failed to keep minute book. No record of the minutes was approved and available to the general public. The Town's staff is responsible for keeping a book of minutes. Minutes serve as a record of the events of the council meetings and should document all important topics discussed and decisions reached.

Criteria:

Louisiana Revised Status (L.A.R.S.) 33.421 requires the Town to maintain a minute book of all council meetings.

Cause:

There was no oversight placed on documenting and maintaining an update and current minute book listing and providing all entries on the minutes.

Effect:

The town was not in compliance with guidelines to maintain book minutes.

Recommendation:

Management should ensure that minute book is maintained and current with all council meeting.

Response:

See Management's response letter.

TOWN OF MELVILLE, LOUISIANA

Summary of Prior Year Findings
For the Year Ended September 30, 2019

2018-01 Preparation of Financial Statements

Fiscal Year Finding Originated: Unknown

Condition:

The Town's staff responsible for preparation of the financial statements and related footnote disclosure in accordance with generally accepted accounting principles (GAAP) lacks the resources and/or knowledge necessary to internally complete the reporting requirements.

The Town relies on its auditors to assist in the preparation of external financial statements and related disclosures.

Management Response:

Town of Melville Management will locate and hire an accounting firm to assist with preparation of external financial statements and related disclosures. Management will hire competent staff capable of preparing and maintaining records adequately internally. All office staff will complete trainings throughout the year. All trainings will be filed in employee's personal file.

Corrective Action Plan:

Town should hire competent staff capable of preparing and maintaining records in a manner to adequately assist in preparation of external financial statements and related disclosures.

Management of the Town should make a determination as to whether the cost of correcting the deficiency concerning the expertise of accounting personnel exceeds the expected benefit to be derived from doing such.

Current Status:

Resolved.

2018-02 Improvement of Controls

Fiscal Year Finding Originated: Unknown.

Condition:

From a sampling of checks and transactions several instances of the following was noted:

- Purchase orders for the checks could not be provided.
- Several checks were paid more than 30 days after the invoice date.

Our examination of the Town's procedures and transactions relating to the payroll function disclosed the following:

TOWN OF MELVILLE, LOUISIANA

Summary of Prior Year Findings For the Year Ended September 30, 2019 (Continued)

- The employee responsible for processing payroll has the ability to add employees, change employee information, enter daily time and attendance for hourly employees, update pay rates, and maintain all supporting payroll documents
- Documentation reflecting approved changes to employee salaries in some instances was not on file in the employees file
- Employee and employer portions of payroll taxes and the required reporting forms are not being submitted to the applicable agencies by the required deadlines.

Management Response:

Management will create a formal plan that will include controls over the disbursement process to ensure more than one individual is involved in the financial approving, paying, and reconciling. Documentation to support all bills and payments is complete and maintained in office, all bills will be paid in a timely manner will be included in the formal plan. All vendor payments will include original documentation with supporting disbursements. All employee files will be complete with 1-9, W-4, and L-4 forms. All employees' files will have background check, drug screen, physical, employee evaluations, trainings, and salary increase approval forms.

Corrective Action Plan:

Transactions should be recorded daily. Town should use sub-ledger module components of accounting software especially for accounts payable. Bank reconciliations should be prepared on a monthly basis for all checking accounts.

Current Status:

Partially Resolved. See 2019-01.

2018-03 Capital Asset Management

Fiscal Year Finding Originated: Unknown.

Condition:

The Town has taken steps to identify and maintain a schedule of capital assets. Procedures still need to be implemented to tag all Town's assets. Additionally, procedures need to be developed to monitor the additions and deletions of capital assets.

Management has assigned assistant clerk as property manager. She is maintaining a list of capital assets, the location of assets including additions and deletions that occur throughout the year. She will create a form for department heads to complete when new assets are purchased, or deletions of old assets are removed; then turn in to the property manager to keep on file. She is in the process of developing a Town of Melville asset tag which will include serial numbers, which will be retained on file with the property manager. The project manager will continue to maintain records on all construction projects. The policy and procedures will be implemented.

TOWN OF MELVILLE, LOUISIANA

Summary of Prior Year Findings
For the Year Ended September 30, 2019
(Continued)

Management Response:

Assistant Clerk is the property manager, he will tag all of the Town's assets, and keep comprehensive listing of all assets and locations.

Corrective Action Plan:

Management should develop a formal plan that includes both short-and long-term spending to ensure it can operate within available funding. Strong controls should be implemented over the disbursement process to ensure that (1) more than one individual is involved in the process (e.g., receiving, recording, reviewing, approving and paying); (2) documentation to support all bills and payments is complete and maintained intact; and (3) all bills are paid timely, including the amounts withheld/deducted from employee paychecks.

Current Status:

Unresolved. See 2019-02.

2018-04 Failure to timely file audit report

Fiscal Year Finding Originated: Unknown.

Condition:

The Organization failed to submit audited report to LA Legislative Auditor in a timely manner.

The Town of Melville will engage an independent auditor in a timely manner to ensure adequate time to complete the audit and file the report with the Louisiana Legislative Auditor Office. Town management and council members will be in compliance with the State Law governing the completion and submission of audit reports.

Management Response:

The Town of Melville will report the audit to LA Legislative Auditor within six months of the close of the auditee's fiscal year. The Town of Melville will engage an independent auditor to ensure adequate time for completion of the audit for filing of report.

Corrective Action Plan:

Management of the City should assign an employee as the property manager who will maintain a comprehensive listing of all capital assets, location of assets as well as additions and deletions that occur during the year. Department heads should be given addition and deletion forms and be required to complete the forms as purchases or deletions of capital assets are made and provide a copy to the property manager. The property manager should perform an annual physical inventory of all capital assets and any missing assets identified should be investigated. All assets should be tagged as property of the City and serial numbers retained by the property manager. Property manager should also maintain records for all construction projects to determine the status of each project and which projects have been completed and should be added to the capital asset listing.

TOWN OF MELVILLE, LOUISIANA

Summary of Prior Year Findings
For the Year Ended September 30, 2019
(Continued)

The City has established policies and procedures for identifying, recording, and coordinating an annual inventory of all capital assets, however, the policies and procedures are not being implemented.

Current Status:

Unresolved. See 2019-03.

2018-05 Improper Use of Public/Restricted Funds

Fiscal Year Finding Originated: 2018

Condition:

The Town failed to restrict/reserve sufficient assets to cover liabilities relating to customer deposit fees. The Town records reflect a liability relating to customer deposits in the amount of \$47,140. The amount restricted for deposits at fiscal year-end was \$27,660. In reviewing transactions for the checking account, the Town established for customer deposits the auditor discovered a check for \$26,213.50. The payment was for outstanding tax liabilities owed by the Town to the IRS.

Management Response:

The Town of Melville Management will ensure that sufficient assets are restricted and will be deposited into the correct account.

Corrective Action Plan:

The Town of Melville Management will ensure that sufficient assets are restricted and will be deposited into the correct account.

Current Status:

Unresolved. See 2019-04.

Mayor
Velma D. Hendrix
Town Council
Linda Haynes
Jayme Johnson
Theardis Tieuel, Jr.
Natasha Thomas-
Oliney
April Butler-
Goudeau



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Clerk
Thomas Jung
Assistant Clerk
Denise Rose-
Oliney
Police Chief
Anthony Moreau
Fire Chief
Cole Ponthieux

INTERNAL CONTROLS AND COMPLIANCE FINDINGS

Management Responses

2019-01 Improvement of Controls – The Town of Melville will continue to work on developing and implementing a formal plan to operate within available funding. The Town will also seek to further engage council members to assist with improvement of controls and mitigating control deficiencies where possible.

2019-02 Capital Asset Management – The Town of Melville will seek to assign an employee responsible for property management.

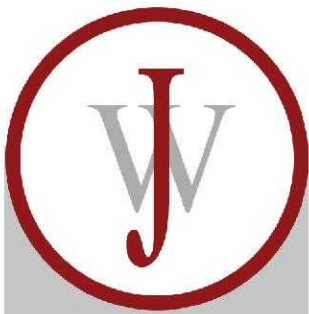
2019-03 Failure to Timely File Audit Report – The Town of Melville will endeavor to timely engage an auditor to ensure adequate time for completion and filing of the audit report.

2019-04 Improper Use of Public/Restricted Funds – If in fact it is determined that there is a deficiency in restricted funds to cover customer deposits, the Town of Melville will correct the shortage to meet the obligation.

2019-05 Failure to Maintain Minute Book – The Town of Melville will ensure that the minute book is maintained and current with all council meeting minutes.

"TOWN OF MELVILLE IS AN EQUAL OPPORTUNITY EMPLOYER"





J. WALKER & COMPANY^{APC}

ACCOUNTANTS AND ADVISORS

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

The Honorable Velma Hendrix
Town of Melville
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Town of Melville and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2018 through September 30, 2019. The Town's management is responsible for those C/C areas identified in the SAUPs. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

- a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget

We performed the procedures above and noted no exceptions.

- b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

We performed the procedures above and noted the following exception:

The purchase order request is being initiated and approved by the Clerk of Town.

Management Response: See management's response letter.

- c) **Disbursements**, including processing, reviewing, and approving

We performed the procedures above and noted no exceptions.

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- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

We performed the procedures above and noted no exceptions.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

We performed the procedures above and noted no exceptions.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

We performed the above procedures and noted the following exceptions:

The policies and procedures do not include contracting i.e. types of services requiring written contracts, standard terms, legal review and approval process and monitoring process.

Management Response: See management's response letter.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

We performed the procedures above and noted no exceptions.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

We performed the procedures above and noted no exceptions.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

We performed the procedures above and noted no exceptions.



- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

We performed the procedures above and noted no exceptions.

- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

We performed the above procedures and noted the following exceptions:

The policies and procedures do not include disaster recovery/business continuity including identification of critical data and frequency of data backups, storage of backups in separate physical locations isolated from the network, periodic testing/verification that backups can be restored, use of antivirus software on all systems, timely application of all available system and software patches/updates, and identification of personnel, processes, and tools needed to recover operations after a critical event.

Management Response: See management's response letter.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

We performed the procedure above and noted the following exceptions:

No evidence that the council met during the fiscal period. The Town was unable to provide written minutes for monthly meetings.

Management Response: See management's response letter.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well



as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

We performed the procedures above and noted the following exceptions:

No evidence that the council met during the fiscal period. The Town was unable to provide written minutes for monthly meetings.

Management Response: See management's response letter.

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

We performed the procedures above and noted the following exceptions:

General fund does reflect a negative ending year unrestricted fund balance in the prior year audit report. There were no council meeting minutes provided for reference of the elimination of the negative unrestricted fund balance in the general fund.

Management Response: See management's response letter.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

We performed the above procedures and noted the following exceptions:

5 accounts were selected for testing. No evidence was provided for 5 out of 5 accounts to show that bank reconciliations were prepared within 2 months of the related statement closing date.

Management Response: See management's response letter.



- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

We performed the above procedures and noted the following exceptions:

Bank reconciliations did not include evidence that a member of management or council member who does not handle cash, post ledgers, or issue checks reviewed each bank reconciliation.

Management Response: See management’s response letter.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.
- d) *Not applicable.*

Collections

- 4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management’s representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- 5. For each deposit site selected, obtain a listing of collection locations and management’s representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.

We performed the above procedure and noted the following exceptions:

Employees that are responsible for cash collections do share cash drawers/registers.

Management Response: See management’s response letter.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

We performed the procedure above and noted the following exceptions:



The Town Clerk and Assistant Town Clerk both collect cash and prepares and makes bank deposits.

Management Response: See management's response letter.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

We performed the procedure above and noted no exceptions.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

We performed the procedure above and noted no exceptions.

- 6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

We performed the procedure above and noted the following exception:

The Town did not provide any evidence that employees are covered by a bond or insurance policy for theft.

Management Response: See management's response letter.

- 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

We performed the procedure above and noted the following exception:

The Town did not provide any deposit slips for testing.

Management Response: See management's response letter.



- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

We performed the procedure above and noted the following exception:

The Town did not provide any deposit slips for testing.

Management Response: See management's response letter.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

We performed the procedure above and noted the following exception:

The Town did not provide receipts for testing.

Management Response: See management's response letter.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

We performed the procedure above and noted the following exception:

The Town did not provide any deposit slips for testing.

Management Response: See management's response letter.

- e) Trace the actual deposit per the bank statement to the general ledger.

We performed the procedure above and noted the following exception:

The Town did not provide any deposit slips for testing.

Management Response: See management's response letter.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).



9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

We performed the above procedure and noted the following exceptions:

No evidence that purchase orders were used by the Town.

Management Response: See management's response letter.

- b) At least two employees are involved in processing and approving payments to vendors.

We performed the above procedure and noted the following exceptions:

No evidence that two employees are involved in processing and approving payments to vendors.

Management Response: See management's response letter.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

We performed the above procedure and noted the following exceptions:

No evidence that two employees are involved in processing and approving payments to vendors.

Management Response: See management's response letter.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

We performed the above procedure and noted the following exceptions:

No evidence that there is proper segregation of duties regarding signing and mailing checks.

Management Response: See management's response letter.



10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

a) Observe that the disbursement matched the related original invoice/billing statement.

We performed the procedure above and noted no exceptions.

b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

We performed the procedure above and noted no exceptions.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

We performed the procedure above and noted no exceptions.

b) Observe that finance charges and late fees were not assessed on the selected statements.

We performed the procedure above and noted no exceptions.



13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

We performed the above procedure and noted following exceptions.

For 10 out of the 10 transactions, the Town are unable to provide (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose.

Management Response: See management's response letter.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

We performed the procedure above and noted no exceptions.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

We performed the procedure above and noted no exceptions.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

We performed the procedure above and noted no exceptions.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

We performed the above procedure and noted following exceptions.



No evidence that 5 out of the 5 reimbursements selected was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Management Response: See management's response letter.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

No contracts reached the threshold for public bid under the Louisiana Public Bid Law. Therefore, no procedures were performed.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

Not applicable.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

We performed the above procedure and noted the following exceptions:

The Town was unable to provide written contracts for 3 out of the 5 contracts selected. No contract reviewed was amended during the fiscal year.

Management Response: See management's response letter.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

We performed the above procedure and noted the following exceptions:

3 out of the 5 contracts selected had no written contracts in place. Therefore, we were unable to agree the invoice to the contract terms. No exceptions noted for the 2 contracts provided.

Management Response: See management's response letter.



Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

We performed the above procedure and noted the following exceptions:

The attendance record does not reflect that 5 out of the 5 selected employees/official documented their daily attendance and leave.

Management Response: See management's response letter.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

We performed the above procedure and noted the following exceptions:

The attendance record does not reflect that the supervisors approved the attendance and leave for 5 out of the 5 selected official/employees.

Management Response: See management's response letter.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

We performed the above procedure and noted the following exceptions:

No leave accrued or taken during the pay period is reflected in the Town's cumulative leave records for 5 out of the 5 selected official/employees.

Management Response: See management's response letter.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the



employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

We performed the procedure above and noted no exceptions.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

We performed the above procedure and noted the following exceptions:

The payroll taxes have not been paid by required deadlines.

The Town's insurance premiums were not current during the fiscal period due to nonpayment.

Management Response: See management's response letter.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

We performed the above procedures and noted the following exceptions:

No documentation provided to demonstrate 1 out of the 5 selected employees/officials completed one hour of ethics training during the fiscal period.

Management Response: See management's response letter.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

We performed the above procedures and noted the following exceptions:

No documentation demonstrates each employee and official attested through signature verification that he or she has read the town's ethics policy during the fiscal period.

Management Response: See management's response letter.



Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

The Town did not issue new debt during the fiscal period. Therefore, these procedures are not applicable.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

We performed the above procedures and noted the following exceptions:

Town of Melville was not in compliance with its reserve and depreciation and contingency fund for the fiscal period.

Management Response: See management's response letter.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Per discussion with management, there's no misappropriation of public funds and assets during the fiscal period.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

We performed the above procedure and noted following exceptions.

The Town did not post to its website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste of abuse of public fund.

Management Response: See management's response letter.



J. Walker & Company, APC

Lake Charles, Louisiana
October 17, 2020

Mayor
Velma D. Hendrix
Town Council
Linda Haynes
Jayme Johnson
Theardis Tieucl, Jr.
Natasha Thomas-
Oliney
April Butler-
Goudeau



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Clerk
Thomas Jung
Assistant Clerk
Denise Rose-
Oliney
Police Chief
Anthony Moreau
Fire Chief
Cole Ponthieux

Management Response Letter to Statewide Agreed Upon Procedures Findings

Please see responses/corrective action below related to the exceptions on the Statewide Agreed-Upon Procedures report.

Finding – The purchase order request are being initiated and approved by the Clerk of Town.

The Town will endeavor to segregate these duties within available human resources.

Finding – The policies and procedures do not include contracting i.e. types of services requiring written contracts, standard terms, legal review and approval process and monitoring process.

The Town of Melville will work to include a monitoring process in its policies and procedures for contracting.

Finding - The policies and procedures do not include disaster recovery/business continuity including identification of critical data and frequency of data backups, storage of backups in separate physical locations isolated from the network, periodic testing/verification that backups can be restored, use of antivirus software on all systems, timely application of all available system and software patches/updates, and identification of personnel, processes, and tools needed to recover operations after a critical event.

The Town of Melville will work to include disaster recovery/business continuity, which identifies critical recovery criteria, in its policies and procedures.

Finding – No evidence that the council met during the fiscal period. The Town was unable to provide written minutes for monthly meetings.

The Town of Melville did indeed take minutes of each council meeting but has not been able to locate the documentation after the termination of an employee. Meeting minutes are currently being maintained.

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Finding - General fund does reflect a negative ending year unrestricted fund balance in the prior year audit report. There were no council meeting minutes provided for reference of the elimination of the negative unrestricted fund balance in the general fund.

The Town of Melville did indeed take minutes of each council meeting but has not been able to locate the documentation after the termination of an employee. Meeting minutes are currently being maintained.

Finding - No evidence was provided for 5 out of 5 accounts to show that bank reconciliations were prepared within 2 months of the related statement closing date.

The Town of Melville will ensure that bank statement reconciliations are completed on a timely basis.

Finding - Bank reconciliations did not include evidence that a member of management or council member who does not handle cash, post ledgers, or issue checks reviewed each bank reconciliation.

The Town of Melville will ensure that an appropriate member of management or council member reviews each bank reconciliation.

Finding - Employees that are responsible for cash collections do share cash drawers/registers.

The Town of Melville will ensure that employees that are responsible for cash collections do not share cash drawers/registers.

Finding - The Town Clerk and Assistant Town Clerk both collect cash and prepares and makes bank deposits.

The Town will endeavor to segregate these duties within available human resources.

Finding - The Town did not provide any evidence that employees are covered by a bond or insurance policy for theft.

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The Town will ensure that evidence of employee bond or insurance for theft is maintained.

Finding – The Town did not provide any deposit slips for testing.

The Town will ensure all deposit slips are maintained and provided in future audits.

Finding – The Town did not provide receipts for testing.

The Town will ensure all deposit receipts are maintained and provided in future audits.

Finding – No evidence that purchase orders were used by the Town.

The Town will ensure or implement the use of purchase orders as part of its improvement of controls.

Finding - No evidence that two employees are involved in processing and approving payments to vendors.

The Town will ensure that two employees are involved in processing and approving payments to vendor as part of its improvement of controls.

Finding – No evidence that there is proper segregation of duties regarding signing and mailing checks.

The Town will ensure proper segregation of duties regarding signing and mailing checks as part of its improvement of controls.

Finding – For 10 out of the 10 transactions, the Town are unable to provide (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose.

The Town will ensure proper documentation is maintained for all transactions processed.

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Finding – No evidence that 5 out of the 5 reimbursements selected was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

The Town will ensure proper documentation is maintained for all travel related transactions processed.

Finding – The Town was unable to provide written contracts for 3 out of the 5 contracts selected. No contract reviewed was amended during the fiscal year.

The Town will ensure proper documentation is maintained for all contract related transactions.

Finding – 3 out of the 5 contracts selected had no written contracts in place. Therefore, we were unable to agree the invoice to the contract terms. No exceptions noted for the 2 contracts provided.

The Town will ensure proper documentation is maintained for all contract related transactions.

Finding – The attendance record does not reflect that 5 out of the 5 selected employees/official documented their daily attendance and leave.

The Town will ensure proper documentation is maintained for all payroll related transactions.

Finding – The attendance record does not reflect that the supervisors approved the attendance and leave for 5 out of the 5 selected official/employees.

The Town will ensure proper documentation is maintained for all payroll related transactions.

Finding - No leave accrued or taken during the pay period is reflected in the Town's cumulative leave records for 5 out of the 5 selected official/employees.

The Town will ensure proper documentation is maintained for all payroll related transactions.

Finding - The payroll taxes have not been paid by required deadlines.

"TOWN OF MELVILLE IS AN EQUAL OPPORTUNITY EMPLOYER"



The Town is ensuring that payroll taxes are being paid in a timely manner.

Finding - The Town's insurance premiums were not current during the fiscal period due to nonpayment.

The Town will ensure that insurance premiums are paid in a timely manner.

Finding - No documentation provided to demonstrate 1 out of the 5 selected employees/officials completed one hour of ethics training during the fiscal period.

The Town will ensure proper documentation is maintained for all ethics training requirements.

Finding - No documentation demonstrates each employees and official attested through signature verification that he or she has read the town's ethics policy during the fiscal period.

The Town will ensure proper documentation is maintained for all ethics training requirements.

Finding – Town of Melville was not in compliance with its reserve and depreciation and contingency fund for the fiscal period.

The Town will ensure compliance with its reserve and depreciation and contingency fund requirements.

Finding - The Town did not post to its website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste of abuse of public fund.

The Town will ensure compliance with R.S. 24:523.1 requirements by posting the applicable notice.

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