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TOWN OF MERRYVILLE
ANNUAL FINANCIAL STATEMENTS
WITH AUDITOR'S REPORT

JUNE 30, 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1-26-2000

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John A. Windham, CPA

A Professional Corporation

1620 North Pine St.
DeRidder, LA 70634
Tel. (318) 462-3211
Fax. (318) 462-0640

John A. Windham, CPA

INDEPENDENT AUDITOR'S REPORT

The Honorable Margaret Krasso, Mayor
and Members of the Board of Aldermen
Town of Merryville, Louisiana

I have audited the accompanying general purpose financial statements of the Town of Merryville, Louisiana, as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town of Merryville, Louisiana's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with generally accepted auditing standards; GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

I was unable to satisfy myself as to the accuracy of the beginning balances contained in the Combined Balance Sheet - All Fund Types and Account Groups, Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types, Combined Statements of Revenues Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) and Actual - General and Special Revenue - Governmental Fund Types, Statement of Revenues, Expenses, and Changes in Retained Earnings and the Statement of Cash Flows - Proprietary Fund Type. Material adjustments to the fund balances of the General Fund, Special Revenue Funds and Enterprise Fund were necessary in order to adjust and reclassify various beginning balance sheet accounts in the financial statements referred to above.

In my opinion, except for the effects of such adjustments to the beginning balances of the financial statements referred to in the previous paragraph and the effect on the fund balances of the General Fund, Special Revenue Fund, and Enterprise Fund, the general purpose

The Honorable Margaret Krasso, Mayor
and Members of the Board of Aldermen
Town of Merryville, Louisiana
Page 2

financial statements referred to above present fairly, in all material respects, the financial position of the Town of Merryville, Louisiana, as of June 30, 1999, and the results of its operations and cash flows of its proprietary fund type for the year ended in conformity with generally accepted accounting principles.

In accordance with GOVERNMENT AUDITING STANDARDS, I have also issued a report dated December 13, 1999 on my consideration of the Town of Merryville, Louisiana's internal control over financial reporting and my test of its compliance with certain provisions of laws, regulations, contracts and grants.

My audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Town of Merryville, Louisiana.

Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, except for the effects of the adjustments to the beginning balances of the financial statements referred to in the third paragraph of this report and the effect on the fund balances of the General Fund, Special Revenue Fund and Enterprise Fund, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

John A. Windham, CPA
DeRidder, Louisiana
December 13, 1999

GENERAL PURPOSE FINANCIAL STATEMENTS
(COMBINED STATEMENTS - OVERVIEW)

TOWN OF MERRYVILLE

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 1999

<u>ASSETS</u>	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Cash	\$ 137,687	\$ 82,299	\$ ---	\$ ---
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts	26,784	23,471	---	---
Due from other funds	---	---	---	---
Restricted assets:				
Cash	---	---	---	---
Land	---	---	---	---
Buildings and improvements	---	---	---	---
Equipment	---	---	---	---
Utility plant and equipment	---	---	---	---
Accumulated depreciation	---	---	---	---
Amount available in debt service funds	---	---	---	---
Amount to be provided for retirement of general long-term debt	---	---	---	---
Total assets	<u>\$ 164,471</u>	<u>\$ 105,770</u>	<u>\$ ---</u>	<u>\$ ---</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 5,031	\$ 9,100	\$ ---	\$ ---
Payroll taxes payable	2,102	---	---	---
Payable from restricted assets:				
Customer deposits	---	---	---	---
Current portion of revenue bonds	---	---	---	---
Accrued interest on revenue bonds	---	---	---	---
Mortgage note payable	---	---	---	---
Due to other funds	2,735	---	---	---
Revenue bonds payable	---	---	---	---
Mortgage note payable	---	---	---	---
Total liabilities	<u>\$ 9,868</u>	<u>\$ 9,100</u>	<u>\$ ---</u>	<u>\$ ---</u>

Statement A

Proprietary Fund Type	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Debt	
<u>Enterprise</u>			
\$ 86,611	\$ ---	\$ ---	\$ 306,597
14,925	---	---	65,180
2,735	---	---	2,735
34,054	---	---	34,054
---	2,600	---	2,600
---	274,374	---	274,374
---	114,650	---	114,650
3,250,217	---	---	3,250,217
(1,777,262)	---	---	(1,777,262)
---	---	---	---
---	---	17,118	17,118
<u>\$ 1,611,280</u>	<u>\$ 391,624</u>	<u>\$ 17,118</u>	<u>\$ 2,290,263</u>
\$ 4,231	\$ ---	\$ ---	\$ 18,362
2,390	---	---	4,492
9,439	---	---	9,439
11,000	---	---	11,000
18,258	---	---	18,258
---	---	---	---
---	---	---	2,735
400,375	---	---	400,375
---	---	17,118	\$ 17,118
<u>\$ 445,693</u>	<u>\$ ---</u>	<u>\$ 17,118</u>	<u>\$ 481,779</u>

(Continued)

The accompanying notes are an integral part of this statement.

TOWN OF MERRYVILLE

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 1999

FUND EQUITY	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Contributed capital	\$ ---	\$ ---	\$ ---	\$ ---
Investments in general fixed assets	---	---	---	---
Retained earnings: Unreserved	---	---	---	---
Fund balances: Undesignated	<u>154,603</u>	<u>96,670</u>	<u>---</u>	<u>---</u>
Total fund equity	<u>\$ 154,603</u>	<u>\$ 96,670</u>	<u>\$ ---</u>	<u>\$ ---</u>
Total liabilities and fund equity	<u>\$ 164,471</u>	<u>\$ 105,770</u>	<u>\$ ---</u>	<u>\$ ---</u>

Statement A

<u>Proprietary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	
<u>Enterprise</u>			
\$ 2,588,656	\$ ---	\$ ---	\$ 2,588,656
---	391,624	---	391,624
(1,423,069)	---	---	(1,423,069)
---	---	---	251,273
<u>\$ 1,165,587</u>	<u>\$ 391,624</u>	<u>\$ ---</u>	<u>\$ 1,808,484</u>
<u>\$ 1,611,280</u>	<u>\$ 391,624</u>	<u>\$ 17,118</u>	<u>\$ 2,290,263</u>

The accompanying notes are an integral part of this statement.

TOWN OF MERRYVILLE

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES

For the Fiscal Year Ended June 30, 1999

	<u>Governmental</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Taxes	\$ 42,114	\$ 218,237
Licenses and permits	716	41,670
Intergovernmental	156,639	---
Fines	74,099	---
Use of money and property	1,310	---
Miscellaneous	7,824	---
Total revenues	<u>\$ 282,702</u>	<u>\$ 259,907</u>
Expenditures:		
General government	\$ 79,137	\$ 4,857
Public safety	167,865	---
Public works	15,000	63,324
Debt service	---	---
Capital outlay	---	---
Total expenditures	<u>\$ 262,002</u>	<u>\$ 68,181</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 20,700</u>	<u>\$ 191,726</u>
Other financing sources (uses):		
Transfers in	\$ 46,635	\$ 144,463
Transfers out	(23,260)	(287,402)
Gain on sale of assets	14,446	---
Total other financing sources (uses)	<u>\$ 37,821</u>	<u>\$ (142,939)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ 58,521</u>	<u>\$ 48,787</u>
Fund balances at beginning of year	63,010	(11,889)
Prior period adjustments	<u>33,072</u>	<u>59,772</u>
Fund balances at end of year	<u>\$ 154,603</u>	<u>\$ 96,670</u>

Statement B

Fund Types		Totals
Debt Service	Capital Projects	(Memorandum Only)
\$ ---	\$ ---	\$ 260,351
---	---	42,386
---	20,500	177,139
---	---	74,099
---	---	1,310
---	---	7,824
<u>\$ ---</u>	<u>\$ 20,500</u>	<u>\$ 563,109</u>
\$ ---	\$ ---	\$ 83,994
---	---	167,865
---	---	78,324
6,291	---	6,291
---	20,500	20,500
<u>\$ 6,291</u>	<u>\$ 20,500</u>	<u>\$ 356,974</u>
\$ (6,291)	\$ ---	\$ 206,135
\$ 6,291	\$ ---	\$ 197,389
---	---	(310,662)
---	---	14,446
<u>\$ 6,291</u>	<u>\$ ---</u>	<u>\$ (98,827)</u>
\$ ---	\$ ---	\$ 107,308
---	---	51,121
---	---	92,844
<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 251,273</u>

(Continued)

The accompanying notes are an integral part of this statement.

TOWN OF MERRYVILLE

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET (GAAP BASIS) AND ACTUAL
 GENERAL AND SPECIAL REVENUE - GOVERNMENTAL FUND TYPES
 For the Fiscal Year Ended June 30, 1999

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues:			
Taxes	\$ 29,500	\$ 42,114	\$ 12,614
Licenses and permits	800	716	(84)
Intergovernmental	84,039	156,639	72,600
Fines	82,000	74,099	(7,901)
Use of money and property	---	1,310	1,310
Miscellaneous	14,400	7,824	(6,576)
Total revenues	<u>\$ 210,739</u>	<u>\$ 282,702</u>	<u>\$ 71,963</u>
Expenditures:			
General government	\$ 79,640	\$ 79,137	\$ 503
Public safety	100,824	167,865	(67,041)
Public works	---	15,000	(15,000)
Total expenditures	<u>\$ 180,464</u>	<u>\$ 262,002</u>	<u>\$ (81,538)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 30,275</u>	<u>\$ 20,700</u>	<u>\$ (9,575)</u>
Other financing sources (uses):			
Transfers in	\$ ---	\$ 46,635	\$ 46,635
Transfers out	---	(23,260)	(23,260)
Sale of assets	---	14,446	14,446
Total other financing sources (uses)	<u>\$ ---</u>	<u>\$ 37,821</u>	<u>\$ 37,821</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ 30,275</u>	<u>\$ 58,521</u>	<u>\$ 28,246</u>
Fund balances at beginning of year	63,010	63,010	---
Prior period adjustment	<u>---</u>	<u>33,072</u>	<u>33,072</u>
Fund balances at end of year	<u>\$ 93,285</u>	<u>\$ 154,603</u>	<u>\$ 61,318</u>

<u>Special Revenue Funds</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
\$ 180,000	\$ 218,237	\$ 38,237
35,500	41,670	6,170
---	---	---
---	---	---
---	---	---
<u>\$ 215,500</u>	<u>\$ 259,907</u>	<u>\$ 44,407</u>
\$ ---	\$ 4,857	\$ (4,857)
---	---	---
62,918	63,324	(406)
<u>\$ 62,918</u>	<u>\$ 68,181</u>	<u>\$ (5,263)</u>
\$ 152,582	\$ 191,726	\$ 39,144
\$ 120,000	\$ 144,463	\$ 24,463
(221,500)	(287,402)	(65,902)
---	---	---
<u>\$ (101,500)</u>	<u>\$ (142,939)</u>	<u>\$ (41,439)</u>
\$ 51,082	\$ 48,787	\$ (2,295)
(11,889)	(11,889)	---
---	59,772	59,772
<u>\$ 39,193</u>	<u>\$ 96,670</u>	<u>\$ 57,477</u>

The accompanying notes are an integral part of this statement.

TOWN OF MERRYVILLE

Statement D

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
 RETAINED EARNINGS - PROPRIETARY FUND TYPE
 For the Fiscal Year Ended June 30, 1999

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Charges for services	\$ <u>183,969</u>
Operating expenses:	
Personal services	\$ 103,999
Supplies	49,509
Other services and charges	55,018
Heat, light and power	35,525
Depreciation	<u>81,334</u>
Total operating expenses	\$ <u>325,385</u>
Operating loss	\$ (141,416)
Nonoperating revenues (expenses):	
Interest income	\$ 1,036
Transfers in	264,107
Transfers out	(150,835)
Interest expense	<u>(21,485)</u>
Total nonoperating revenues (expenses)	\$ <u>92,823</u>
Net income (loss)	\$ (48,593)
Retained earnings, (deficit) beginning of year	(951,371)
Prior period adjustment	<u>(423,105)</u>
Retained earnings, (deficit) end of year	<u>\$(1,423,069)</u>

The accompanying notes are an integral part of this statement.

TOWN OF MERRYVILLE

Statement E

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 For the Fiscal Year Ended June 30, 1999

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from customers	\$ 168,778
Cash payments to suppliers for goods and services	(131,974)
Cash payments for employee services and employee related fringe benefits	<u>(101,609)</u>
Net cash provided by operating activities	<u>\$ (64,805)</u>
Cash flows from noncapital financing activities:	
Transfers from other funds	\$ 264,107
Transfers to other funds	<u>(150,835)</u>
Net cash provided for noncapital financing activities	<u>\$ 113,272</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (135,261)
Principal paid on bond maturities	(18,000)
Interest paid on bond maturities	(21,927)
Contributed capital received	141,910
Sale of assets	<u>---</u>
Net cash used for capital and related financing activities	<u>\$ (33,278)</u>

(Continued)

The accompanying notes are an integral part of this statement.

TOWN OF MERRYVILLE

Statement E

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 for the Fiscal Year Ended June 30, 1999

	Proprietary Fund Type
	Enterprise
Cash flows from investing activities:	
Interest on cash management activities	\$ <u>1,036</u>
Net increase in cash and cash equivalents	\$ 16,225
Cash and cash equivalents, beginning of year	<u>104,440</u>
Cash and cash equivalents, end of year	\$ <u>120,665</u>
 RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ <u>(141,416)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	\$ 81,334
Increase in accounts receivable	(14,927)
Increase in accounts payable	4,231
Increase in payroll taxes payable	2,390
Increase in due from other funds	(2,735)
Increase in customer deposits	2,061
Decrease in employee advances	<u>4,257</u>
Total adjustments	\$ <u>76,611</u>
Net cash provided by operating activities	\$ <u>(64,805)</u>

(Concluded)

The accompanying notes are an integral part of this statement.

TOWN OF MERRYVILLE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 1999

INTRODUCTION

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements of the Town of Merryville have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. REPORTING ENTITY

As the municipal governing authority for reporting purposes, the Town of Merryville is considered a separate financial reporting entity. The Town of Merryville, which is the

TOWN OF MERRYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

primary government, does not have (a) organizations for which the primary government is financially accountable, and (b) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete; therefore, the Town is also the financial reporting entity.

C. FUND ACCOUNTING

The municipality uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds of the municipality are classified into two categories: governmental and proprietary. In turn, each category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Governmental Funds

Governmental funds are used to account for all or most of the municipality's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long term debt. Governmental funds include:

1. General fund - the general operating fund of the municipality and accounts for all financial resources, except those required to be accounted for in other funds.
2. Special revenue funds - accounts for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

TOWN OF MERRYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Debt service funds - accounts for transactions relating to resources retained and used for the payment of principal and interest on those long-term obligations recorded in the general long-term obligations account group.
4. Capital projects fund - accounts for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

Proprietary Fund

The proprietary fund is used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The proprietary fund differs from the governmental fund in that its focus is on income measurement, which together with the maintenance of equity, is an important financial indicator. The proprietary fund includes:

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

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of the funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by the governmental funds. The governmental funds use the following practices in recording revenues and expenditures:

TOWN OF MERRYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Revenues

Revenues are recognized when they become measurable and available as net current assets. Taxpayer assessed income and gross receipts are considered "measurable" when in the hands of collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on long-term debt is recognized when due.

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid (and any other financing source/use) are accounted for as other financing sources (uses).

The proprietary fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The proprietary fund uses the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time liabilities are incurred.

E. BUDGET

The municipality uses the following budget practices:

1. The Town Clerk and Mayor prepare a proposed budget and submit same to the Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.

TOWN OF MERRYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. A public hearing is held on the proposed budget at least ten days after the publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. The budget for the General Fund and Special Revenue Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Board of Aldermen. Such amendments were not material in relation to the original appropriations.

F. ENCUMBRANCES

The Town of Merryville does not use encumbrance accounting.

G. CASH AND CASH EQUIVALENTS
AND INVESTMENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the municipality may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and or any other state of the United States, or under the laws of the United States.

H. INVESTMENTS

Investments are limited by Louisiana Revised Statute (R.S.)

TOWN OF MERRYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

33:2955 and the municipality's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The Town of Merryville, Louisiana had no investments as of June 30, 1999.

I. SHORT-TERM INTERFUND
RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

J. INVENTORIES

The Town of Merryville does not maintain an inventory. Purchases are made as needed for repair and maintenance and replacement of existing equipment.

K. PREPAID ITEMS

Prepaid amounts consist of insurance policy premiums paid in advance.

L. RESTRICTED ASSETS

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

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

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

TOWN OF MERRYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

M. FIXED ASSETS

Fixed assets of governmental funds are recorded as expenditures at the time purchased or constructed, and the related assets are reported in the general fixed assets account group. Public domain or infrastructures are capitalized. Interest costs incurred during construction are not capitalized.

Fixed assets used in the proprietary fund operations are included on the balance sheet of the fund. Depreciation of all exhaustible fixed assets used by proprietary fund operations is charged as an expense against operations. Depreciation is computed using the straight line method and useful lives as follows:

Utility Fund -	
Water system	40 years
Wells	15-35 years
Storage tanks	35 years
Purification plant	10-35 years
Lines and meters	10-35 years
Autos and trucks	10 years
Other equipment	3-15 years
Sewer plant	40 years
Pump stations	40 years
Lines	40 years
Buildings	40 years
Intangibles	40 years

N. COMPENSATED ABSENCES

The Town of Merryville does not provide for the accumulation and vesting of leave.

O. LONG-TERM OBLIGATIONS

For the primary government, long-term obligations expected to be financed from governmental funds are reported in the general long-term obligations account group. Expenditures for principal and interest payments for long-term obligations are recognized in the governmental funds when due. Long-term obligations expected to be financed from proprietary fund operations are accounted for in those funds.

TOWN OF MERRYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

P. FUND EQUITY

Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, or other funds when such resources are restricted for the acquisition or construction of capital assets. Contributed capital is not amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources.

Reserves

Reserves represent those portions of fund equity not appropriated for expenditure or legally segregated for a specific future use.

Designated Fund Balances

Designated fund balances represent tentative plans for future use of financial resources.

Q. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers of the primary government are reported as operating transfers.

R. SALES TAXES

The Town of Merryville receives a three-percent sales tax which is dedicated to the maintenance of the sewer system (1%), repair and maintenance of streets and roadways (1%), and the collection and disposal of solid waste (1%).

TOWN OF MERRYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

S. TOTAL COLUMNS ON COMBINED STATEMENTS

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

2. FUND DEFICITS

The following individual fund had a deficit in its unreserved retained earnings at June 30, 1999:

<u>Fund</u>	<u>Deficit Amount</u>
Enterprise Fund	\$ <u>1,423,069</u>

The retained earnings deficit of the enterprise fund arises because of the application of generally accepted accounting principles of financial reporting for such funds. Depreciation and amortization, non-cash expenses, contribute to the deficit. Even though the retained earnings deficit exists, the enterprise fund had an overall fund equity of \$1,165,587 at June 30, 1999. The Board of Aldermen will raise user fees to reduce the retained earnings deficit, when needed.

3. EXPENDITURES/EXPENSES -
ACTUAL AND BUDGET

The following individual funds have actual expenditures over budgeted expenditures for the year ended June 30, 1999.

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General fund	\$ 180,464	\$ 262,002	\$ 81,538
Sales tax fund	---	4,857	4,857
Garbage tax fund	<u>35,000</u>	<u>39,707</u>	<u>4,707</u>
Total	<u>\$ 215,464</u>	<u>\$ 306,566</u>	<u>\$ 91,102</u>

TOWN OF MERRYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. LEVIED TAXES

The following is a summary of authorized and levied ad valorem taxes for the year:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Citywide taxes:			
General corporate tax	7.58	7.58	Renewed annually

5. CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents at June 30, 1999:

Demand deposits	\$ 275,607
Interest-bearing demand deposits	<u>65,044</u>
Total	<u>\$ 340,651</u>

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

At June 30, 1999, the primary government has \$348,350 in deposits (collected bank balances). These deposits are secured from risk by \$195,536 of federal deposit insurance and \$152,814 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

TOWN OF MERRYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENTS

The Town of Merryville had no investments as of June 30, 1999.

7. RECEIVABLES

The following is a summary of receivables for June 30, 1999:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Special Reserve Fund</u>	<u>Proprietary Fund</u>
Taxes:			
Franchise taxes	\$ 4,294	---	\$ ---
Sales & use taxes	---	23,471	---
Intergovernmental:			
Tobacco taxes	\$ 1,606	---	---
Alcohol taxes	1,173	---	---
Poker machine taxes	16,791	---	---
State mowing contract	2,920	---	---
Utility billing:			
Accounts, net of allowance for doubtful accounts	---	---	14,925
Total	\$ 26,784	\$ 23,471	\$ 14,925

As of June 30, 1999 the Town of Merryville had accounts receivable of \$14,925 and an allowance for doubtful accounts of \$-0-. Accounts receivables are shown as \$14,925, net of the allowance account. The Town has elected to write off bad debts as they are deemed to be uncollectible as determined by management. Bad debts are shown as an expense of operations in the enterprise fund.

TOWN OF MERRYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. FIXED ASSETS

The changes in general fixed assets follow:

	Balance June 30, <u>1998</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>1999</u>
Land	\$ 600	\$ 2,000	\$ ---	\$ 2,600
Buildings	69,267	---	---	69,267
Improvements	205,107	---	---	205,107
Equipment	<u>118,969</u>	<u>40,681</u>	<u>(45,000)</u>	<u>114,650</u>
Total	<u>\$ 393,943</u>	<u>\$ 42,681</u>	<u>\$ (45,000)</u>	<u>\$391,624</u>

A summary of proprietary property, plant and equipment follows:

Water & sewer utility plant	\$ 3,250,217
Less:	
Accumulated amortization	<u>(1,777,262)</u>
Total	<u>\$ 1,472,955</u>

9. ACCOUNTS AND OTHER PAYABLES

The following is a summary of payables at June 30, 1999:

<u>Class of Payable</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Proprietary Fund</u>
Accounts	\$ <u>5,031</u>	\$ <u>9,100</u>	\$ <u>4,231</u>

10. LEASES

The Town of Merryville had no leases as of June 30, 1999.

TOWN OF MERRYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. CHANGES IN GENERAL LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended June 30, 1999:

	<u>Proprietary Fund</u>		<u>Street Tax Fund</u>	
	<u>Bonded Debt</u>	<u>Bonded Debt</u>	<u>Mortgage Note</u>	<u>Total</u>
Long-term obligations payable at June 30, 1998	\$ 421,375	\$ 8,000	\$ 22,172	\$ 451,547
Additions	---	---	---	---
Principal payments	<u>(10,000)</u>	<u>(8,000)</u>	<u>(5,054)</u>	<u>(23,054)</u>
Long-term obligations payable at June 30, 1999	\$ 411,375	\$ ---	\$ 17,118	\$ 428,493

Revenue bonds are comprised of the following individual issue:

Utilities Revenue Refunding Bonds, Series 1978
 \$550,000 Utilities Revenue Refunding
 Bonds dated 8-10-78, due in average annual installments of \$31,000 through 8-10-18, interest at 5.00%. Proceeds to be used for constructing and acquiring extensions and improvements to the sewerage systems \$411,375

Utilities Revenue Bonds, Series 1968
 \$115,000 Utilities Revenue Bonds dated 9-1-68; due in average annual installments of \$7,615 beginning 9-1-70 and continuing through 9-1-98; interest at the rate of 5.00% from 9-1-68 to 9-1-73 and 6.00% from 9-1-74 to 9-1-98. Proceeds to be used for constructing and acquiring extensions and improvements to the waterworks system. \$ -0-

TOWN OF MERRYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The annual cash flows required to service the debt as of June 30, 1999, including interest payments of \$252,602, are as follows:

<u>June 30,</u>	<u>Proprietary Fund</u>		<u>Street Tax Fund</u>	
	Utilities Revenue Bonds		Mortgage Note	Total
2000	\$	31,569	\$ 6,330	\$ 37,899
2001		31,019	6,330	37,349
2002		32,469	6,330	38,799
2003		32,819	---	32,819
2004		33,119	---	33,119
Thereafter		<u>501,110</u>	<u>---</u>	<u>501,110</u>
Total	\$	<u>662,105</u>	<u>\$ 18,990</u>	<u>\$ 681,095</u>

12. CHANGES IN CONTRIBUTED CAPITAL

The following is a summary of changes in contributed capital:

	Enterprise Fund
Balance at June 30, 1998	\$ 2,446,746
Additions	141,910
Deductions	---
Balance at June 30, 1999	<u>\$ 2,588,656</u>

13. YEAR 2000 ISSUE - (Y2K)

The Town of Merryville has its general ledger and water billing computerized. The Town's water billing program will be updated to handle the Y2K issue by the manufacturer of the software.

The Town will purchase a new general ledger program that will be Y2K compliant.

TOWN OF MERRYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

14. PRIOR PERIOD ADJUSTMENT

During the audit many adjustments affecting the beginning balances of the financial statements were found. These adjustments to fund balances\retained earnings were necessary to correct the beginning balances of the Combined Balance Sheet - All Fund Types and Account Groups, Combined Statement of Revenues Expenditures and Changes In Fund Balances - All Governmental Fund Types, Combined Statement of Revenues, Expenditures, and Changes In Fund Balances, Budget (GAAP Basis) and Actual, General and Special Revenue - Governmental Fund Types; Statement of Revenues and Expenses and Changes in Retained Earnings - Proprietary Fund Type and the Statement of Cash Flows - Proprietary Fund Type.

SUPPLEMENTAL INFORMATION SCHEDULES

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

TOWN OF MERRYVILLE
GENERAL FUND

Schedule 1

BALANCE SHEET
June 30, 1999

ASSETS	<u>1999</u>
Cash	\$ 137,687
Franchise taxes receivable	
Receivables:	
Franchise taxes	4,294
Intergovernmental:	
Tobacco taxes	1,606
Alcohol taxes	1,173
Poker machine taxes	16,791
State mowing contract	<u>2,920</u>
Total assets	<u>\$ 164,471</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 5,031
Payroll taxes payable	2,102
Due to utility fund	<u>2,735</u>
Total liabilities	<u>\$ 9,868</u>
Fund balance:	
Unreserved - undesignated	<u>\$ 154,603</u>
Total liabilities and fund balance	<u>\$ 164,471</u>

TOWN OF MERRYVILLE
GENERAL FUND

Schedule 2

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year Ended June 30, 1999

	<u>1999</u>		Variance - Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Taxes	\$ 29,500	\$ 42,114	\$ 12,614
Licenses and permits	800	716	(84)
Intergovernmental	84,039	156,639	72,600
Fines and forfeits	82,000	74,099	(7,901)
Use of money and property	---	1,310	1,310
Other revenues	14,400	7,824	(6,576)
Total revenues	<u>\$ 210,739</u>	<u>\$ 282,702</u>	<u>\$ 71,963</u>
Expenditures:			
General government	\$ 79,640	\$ 79,137	\$ 503
Public safety	100,824	167,865	(67,041)
Highways and streets	---	15,000	(15,000)
Total expenditures	<u>\$ 180,464</u>	<u>\$ 262,002</u>	<u>\$ (81,538)</u>
Excess (deficiency) of revenues over expenditures	\$ 30,275	\$ 20,700	\$ (9,575)
Other financing sources (uses):			
Transfers in	\$ ---	46,635	46,635
Transfers out	---	(23,260)	(23,260)
Sale of assets	---	13,691	13,691
Timber sales	---	755	755
Total other financing sources (uses)	<u>\$ ---</u>	<u>\$ 37,821</u>	<u>\$ 37,821</u>
Excess of revenues and other sources over expenditures and other uses	\$ 30,275	\$ 58,521	\$ 28,246
Fund balance, beginning	63,010	63,010	---
Prior period adjustment	---	33,072	33,072
Fund balance, ending	<u>\$ 93,285</u>	<u>\$ 154,603</u>	<u>\$ 61,318</u>

TOWN OF MERRYVILLE
GENERAL FUND

Schedule 3

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - TO BUDGET (GAAP BASIS) AND ACTUAL
Year Ended June 30, 1999

	<u>1999</u>		Variance -
	<u>Budget</u>	<u>Actual</u>	Favorable
			(Unfavorable)
Taxes:			
Ad valorem taxes	\$ 12,500	\$ 15,153	\$ 2,653
Franchise taxes	<u>17,000</u>	<u>26,961</u>	<u>9,961</u>
Total taxes	<u>\$ 29,500</u>	<u>\$ 42,114</u>	<u>\$ 12,614</u>
Licenses and permits:			
Building permits	<u>\$ 800</u>	<u>\$ 716</u>	<u>\$ (84)</u>
Intergovernmental:			
Tobacco taxes	\$ 3,200	\$ 6,425	\$ 3,225
Alcohol taxes	5,000	4,750	(250)
Video poker	70,000	80,682	10,682
State mowing contract	5,839	5,839	---
Federal grants	---	42,443	42,443
State grants	---	15,000	15,000
Local grants	<u>---</u>	<u>1,500</u>	<u>1,500</u>
Total inter-governmental	<u>\$ 84,039</u>	<u>\$ 156,639</u>	<u>\$ 72,600</u>
Fines and forfeits:			
Traffic fines	<u>\$ 82,000</u>	<u>\$ 74,099</u>	<u>\$ (7,901)</u>
Use of money and property:			
Rentals	<u>\$ ---</u>	<u>\$ 1,310</u>	<u>\$ 1,310</u>
Miscellaneous:			
Miscellaneous	\$ 14,400	\$ 6,261	\$ (8,139)
Vending machine revenue	<u>---</u>	<u>1,563</u>	<u>1,563</u>
Total other revenue	<u>\$ 14,400</u>	<u>\$ 7,824</u>	<u>\$ (6,576)</u>
Total revenues	<u>\$ 210,739</u>	<u>\$ 282,702</u>	<u>\$ 71,963</u>

(Continued)

TOWN OF MERRYVILLE
GENERAL FUND

Schedule 3

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year Ended June 30, 1999

	<u>1999</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
General government:			
Supplies	\$ 6,000	\$ 7,408	\$ (1,408)
Other services and charges	38,640	39,717	(1,077)
Heat, light, and power	35,000	20,578	14,422
Capital outlay	<u>---</u>	<u>11,434</u>	<u>(11,434)</u>
Total general government	<u>\$ 79,640</u>	<u>\$ 79,137</u>	<u>\$ 503</u>
Public safety:			
Police -			
Personal services	\$ 68,135	\$ 95,650	\$ (27,515)
Supplies	6,729	7,637	(908)
Other services and charges	25,960	35,873	(9,913)
Capital outlay	<u>---</u>	<u>28,705</u>	<u>(28,705)</u>
Total public safety	<u>\$ 100,824</u>	<u>\$ 167,865</u>	<u>\$ (67,041)</u>
Highways and streets:			
Street maintenance	<u>\$ ---</u>	<u>\$ 15,000</u>	<u>\$ (15,000)</u>
Total expenditures	<u>\$ 180,464</u>	<u>\$ 262,002</u>	<u>\$ (81,538)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 30,275</u>	<u>\$ 20,700</u>	<u>\$ (9,575)</u>

(Continued)

TOWN OF MERRYVILLE
GENERAL FUND

Schedule 3

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year Ended June 30, 1999

	<u>1999</u>		Variance - Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
Other financing sources (uses):			
Transfer in from utility fund	\$ ---	\$ 7,704	\$ 7,704
Transfer in from sales tax fund	---	37,599	37,599
Transfer in from street tax fund	---	581	581
Transfer in from garbage tax fund	---	751	751
Transfer to garbage tax fund	---	(751)	(751)
Transfer to street tax fund	---	(581)	(581)
Transfer to utility fund	---	(21,928)	(21,928)
Sale of assets	---	13,691	13,691
Timber sales	---	755	755
Total other financing sources (uses)	<u>\$ ---</u>	<u>\$ 37,821</u>	<u>\$ 37,821</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ 30,275	\$ 58,521	\$ 28,246
Fund balances at beginning of year	63,010	63,010	---
Prior period adjustment	<u>---</u>	<u>33,072</u>	<u>33,072</u>
Fund balaces at end of year	<u>\$ 93,285</u>	<u>\$ 154,603</u>	<u>\$ 61,318</u>

(Concluded)

SPECIAL REVENUE FUNDS

Sales Tax Fund - to account for the collection and distribution of the 3% sales and use tax which is to be used for repairs and maintenance of streets and roadways, collection and disposal of solid waste, and maintenance of the sewer system.

Garbage Tax Fund - to account for the receipt and expenditure of the 1% sales tax to be used for the collection and disposal of solid waste.

Street Tax Fund - to account for the receipt and expenditure of the 1% sales tax used for maintenance and upkeep of streets and roadways.

TOWN OF MERRYVILLE
SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET
June 30, 1999

	<u>Sales Tax Fund</u>	<u>Garbage Tax Fund</u>
<u>ASSETS</u>		
Cash	\$ 21,377	\$ 26,627
Sales tax receivable	<u>23,471</u>	<u>---</u>
Total assets	<u>\$ 44,848</u>	<u>\$ 26,627</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	<u>\$ 439</u>	<u>\$ 6,618</u>
Fund balance:		
Unreserved-undesignated	<u>\$ 44,409</u>	<u>\$ 20,009</u>
Total liabilities and fund balance	<u>\$ 44,848</u>	<u>\$ 26,627</u>

<u>Street Tax Fund</u>	<u>Totals</u>
\$ 34,295	\$ 82,299
<u>---</u>	<u>23,471</u>
<u>\$ 34,295</u>	<u>\$ 105,770</u>
<u>\$ 2,043</u>	<u>\$ 9,100</u>
<u>\$ 32,252</u>	<u>\$ 96,670</u>
<u>\$ 34,295</u>	<u>\$ 105,770</u>

TOWN OF MERRYVILLE

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 For the Fiscal Year Ended June 30, 1999

	<u>Sales Tax Fund</u>	<u>Garbage Tax Fund</u>
Revenues:		
Sales taxes	\$ 218,237	\$ ---
Occupational license	41,670	---
Intergovernmental	---	---
Total revenues	<u>\$ 259,907</u>	<u>\$ ---</u>
Expenditures:		
General Government	\$ 4,857	\$ ---
Public Works	---	39,707
Total expenditures	<u>\$ 4,857</u>	<u>\$ 39,707</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 255,050</u>	<u>\$ (39,707)</u>
Other financing sources (uses):		
Transfers in	\$ ---	\$ 73,612
Transfers out	<u>(248,409)</u>	<u>(12,812)</u>
Total other financing sources (uses)	<u>\$ (248,409)</u>	<u>\$ 60,800</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ 6,641	\$ 21,093
Fund balances at beginning of year	17,153	(3,879)
Prior period adjustments	<u>20,615</u>	<u>2,795</u>
Fund balances at end of year	<u>\$ 44,409</u>	<u>\$ 20,009</u>

<u>Street Tax Fund</u>	<u>Totals</u>
\$ ---	\$ 218,237
---	41,670
---	---
<u>\$ ---</u>	<u>\$ 259,907</u>
\$ ---	\$ 4,857
23,617	63,324
<u>\$ 23,617</u>	<u>\$ 68,181</u>
<u>\$ (23,617)</u>	<u>\$ 191,726</u>
\$ 70,851	\$ 144,463
<u>(26,181)</u>	<u>(287,402)</u>
<u>\$ 44,670</u>	<u>\$ (142,939)</u>
\$ 21,053	\$ 48,787
(25,163)	(11,889)
<u>36,362</u>	<u>59,772</u>
<u>\$ 32,252</u>	<u>\$ 96,670</u>

TOWN OF MERRYVILLE

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES -
 BUDGET (GAAP BASIS) AND ACTUAL
 For the Fiscal Year Ended June 30, 1999

	<u>Sales Tax Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Taxes:			
Sales	\$ 180,000	\$ 218,237	\$ 38,237
Occupational license	35,500	41,670	6,170
Total revenues	<u>\$ 215,500</u>	<u>\$ 259,907</u>	<u>\$ 44,407</u>
Expenditures:			
General government:			
Supplies	\$ ---	\$ 28	\$ (28)
Other services and charges	---	4,829	(4,829)
Total general government	<u>\$ ---</u>	<u>\$ 4,857</u>	<u>\$ (4,857)</u>
Public works:			
Highways and streets:			
Supplies	\$ ---	\$ ---	\$ ---
Other services and charges	---	---	---
Capital outlay	---	---	---
Total highways and streets	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>
Sanitation	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>
Total public works	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>
Total expenditures	<u>\$ ---</u>	<u>\$ 4,857</u>	<u>\$ (4,857)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 215,500</u>	<u>\$ 255,050</u>	<u>\$ 39,550</u>

<u>Garbage Tax Fund</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
\$ ---	\$ ---	\$ ---
\$ ---	\$ ---	\$ ---
\$ ---	\$ ---	\$ ---
\$ ---	\$ ---	\$ ---
\$ ---	\$ ---	\$ ---
\$ ---	\$ ---	\$ ---
\$ ---	\$ ---	\$ ---
\$ ---	\$ ---	\$ ---
\$ ---	\$ ---	\$ ---
\$ 35,000	\$ 39,707	\$ (4,707)
\$ 35,000	\$ 39,707	\$ (4,707)
\$ 35,000	\$ 39,707	\$ (4,707)
\$ (35,000)	\$ (39,707)	\$ (4,707)

(Continued)

TOWN OF MERRYVILLE
SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL
For the Fiscal Year Ended June 30, 1999

	<u>Street Tax Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Taxes:			
Sales	\$ ---	\$ ---	\$ ---
Occupational license	---	---	---
Total revenues	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>
Expenditures:			
General government:			
Supplies	\$ ---	\$ ---	\$ ---
Other services and charges	---	---	---
Total general government	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>
Public works:			
Highways and streets:			
Supplies	\$ 3,000	\$ 2,436	\$ 564
Other services and charges	18,881	18,638	243
Capital outlay	6,037	2,543	3,494
Total highways and streets	<u>\$ 27,918</u>	<u>\$ 23,617</u>	<u>\$ 4,301</u>
Sanitation	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>
Total public works	<u>\$ 27,918</u>	<u>\$ 23,617</u>	<u>\$ 4,301</u>
Total expenditures	<u>\$ 27,918</u>	<u>\$ 23,617</u>	<u>\$ 4,301</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (27,918)</u>	<u>\$ (23,617)</u>	<u>\$ 4,301</u>

	<u>Total</u>		
<u>Budget</u>	<u>Actual</u>		Variance - Favorable (Unfavorable)
\$ 180,000	\$ 218,237	\$	38,237
<u>35,500</u>	<u>41,670</u>		<u>6,170</u>
\$ 215,500	\$ 259,907	\$	44,407
\$ ---	\$ 28	\$	(28)
<u>---</u>	<u>4,829</u>		<u>(4,829)</u>
\$ ---	\$ 4,857	\$	(4,857)
\$ 3,000	\$ 2,436	\$	564
18,881	18,638		243
<u>6,037</u>	<u>2,543</u>		<u>3,494</u>
\$ 27,918	\$ 23,617	\$	4,301
\$ 35,000	\$ 39,707	\$	(4,707)
\$ 62,918	\$ 63,324	\$	(406)
\$ 62,918	\$ 68,181	\$	(5,263)
\$ 152,582	\$ 191,726	\$	39,144

(Continued)

TOWN OF MERRYVILLE

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES -
 BUDGET (GAAP BASIS) AND ACTUAL
 For the Fiscal Year Ended June 30, 1999

	<u>Sales Tax Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Other financing sources (uses):			
Transfers in			
General fund	\$ ---	\$ ---	\$ ---
Utility fund	---	---	---
Transfers out			
Debt service fund	---	---	---
General fund	(35,500)	(37,599)	(2,099)
Utility fund	(180,000)	(210,810)	(30,810)
Total other financing sources (uses)	<u>\$ (215,500)</u>	<u>\$ (248,409)</u>	<u>\$ (32,909)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ ---	\$ 6,641	\$ 6,641
Fund balance at beginning of year	17,153	17,153	---
Prior period adjustment	---	20,615	20,615
Fund balance at end of year	<u>\$ 17,153</u>	<u>\$ 44,409</u>	<u>\$ 27,256</u>

<u>Garbage Tax Fund</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
\$ ---	\$ 751	\$ 751
60,000	72,861	12,861
---	---	---
---	(751)	(751)
<u>(6,000)</u>	<u>(12,061)</u>	<u>(6,061)</u>
\$ 54,000	\$ 60,800	\$ 6,800
\$ 19,000	\$ 21,093	\$ 2,093
(3,879)	(3,879)	---
---	2,795	2,795
\$ 15,121	\$ 20,009	\$ 4,888

(Concluded)

TOWN OF MERRYVILLE

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES -
 BUDGET (GAAP BASIS) AND ACTUAL
 For the Fiscal Year Ended June 30, 1999

	<u>Street Tax Fund</u>		Variance -
	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)
Other financing sources (uses):			
Transfers in			
General fund	\$ ---	\$ 581	\$ 581
Utility fund	60,000	70,270	10,270
Transfers out			
Debt service fund	---	(6,292)	(6,292)
General fund	---	(581)	(581)
Utility fund	---	(19,308)	(19,308)
Total other financing sources (uses)	<u>\$ 60,000</u>	<u>\$ 44,670</u>	<u>\$ (15,330)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ 32,082	\$ 21,053	\$ (11,029)
Fund balance at beginning of year	(25,163)	(25,163)	---
Prior period adjustment	<u>---</u>	<u>36,362</u>	<u>36,362</u>
Fund balance at end of year	<u>\$ 6,919</u>	<u>\$ 32,252</u>	<u>\$ 25,333</u>

	<u>Total</u>		
<u>Budget</u>	<u>Actual</u>		<u>Variance - Favorable (Unfavorable)</u>
\$ --- 120,000	\$ 1,332 143,131	\$ 1,332 23,131	
---	(6,292)	(6,292)	
(35,500)	(38,931)	(3,431)	
<u>(186,000)</u>	<u>(242,179)</u>	<u>(56,179)</u>	
\$ <u>(101,500)</u>	\$ <u>(142,939)</u>	\$ <u>(41,439)</u>	
\$ 51,082	\$ 48,787	\$ (2,295)	
(11,889)	(11,889)	---	
<u>---</u>	<u>59,772</u>	<u>59,772</u>	
\$ <u>39,193</u>	\$ <u>96,670</u>	\$ <u>57,477</u>	

(Concluded)

CAPITAL PROJECTS FUND

Water Improvements Project - To account for LCDBG grant funds used for improvements to the existing water system.

Water Well Project - To account for LCDBG grant funds used for the construction of a new waterwell.

TOWN OF MERRYVILLE
 CAPITAL PROJECTS FUNDS

Schedule 7

COMBINING BALANCE SHEET
 June 30, 1999

ASSETS	<u>Water Well Project</u>	<u>Water System Improvements</u>	<u>Totals</u>
Current assets:			
Cash	\$ ---	\$ ---	\$ ---
LIABILITIES AND FUND BALANCE			
Current liabilities:			
Contracts payable	\$ ---	\$ ---	\$ ---
Fund Balance			
Unreserved/ Undesignated	\$ ---	\$ ---	\$ ---
Total liabilities and fund balance	\$ ---	\$ ---	\$ ---

TOWN OF MERRYVILLE

Schedule 8

CAPTIAL PROJECTS FUND

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance -
Budget (GAAP Basis) and Actual
Year Ended June 30, 1999

	<u>Water Well Project</u>	<u>Water System Improvements</u>	<u>Totals</u>
Revenues:			
LCDBG grant revenue	\$ <u>7,875</u>	\$ <u>12,625</u>	\$ <u>20,500</u>
Expenditures:			
Consulting fees	\$ <u>7,875</u>	\$ <u>12,625</u>	\$ <u>20,500</u>
Excess (deficiency) of revenues over expenditures	\$ ---	\$ ---	\$ ---
Fund balance at beginning of year	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>
Fund balance at end of year	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>

ENTERPRISE FUND

Utility Fund - To account for the provisions of water and sewer services to residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financial and related debt service, and billing and collection.

TOWN OF MERRYVILLE
ENTERPRISE FUND

Schedule 9

BALANCE SHEET
JUNE 30, 1999

ASSETS	<u>1999</u>
Current assets:	
Cash	\$ 86,611
Accounts receivable:	
Accounts, net of allowance for doubtful accounts	14,925
Payroll taxes receivable	
Other entities	2,735
Due from general fund	---
Due from capital projects fund	---
Prepaid insurance	---
Total current assets	<u>\$ 104,271</u>
Restricted assets:	
Bond reserve, sinking fund and contingency account	\$ 24,574
Customers' deposits	<u>9,480</u>
Total restricted assets	<u>\$ 34,054</u>
Plant in service:	
Property, plant, and equipment at cost, net of accumulated depreciation	<u>\$1,472,955</u>
Total assets	<u>\$1,611,280</u>

(Continued)

TOWN OF MERRYVILLE
ENTERPRISE FUND

Schedule 9

BALANCE SHEET (CONTINUED)
June 30, 1999

LIABILITIES AND FUND EQUITY	<u>1999</u>
Liabilities:	
Current liabilities (payable from current assets):	
Accounts payable	\$ 4,231
Payroll taxes payable	<u>2,390</u>
Total current liabilities (payable from current assets)	<u>\$ 6,621</u>
Current liabilities (payable from restricted assets):	
Current portion of bonds	\$ 11,000
Accrued bond interest	18,258
Customers' deposits	<u>9,439</u>
Total current liabilities (payable from restricted assets)	<u>\$ 38,697</u>
Long-term liabilities:	
Bonds payable	<u>\$ 400,375</u>
Total liabilities	<u>\$ 445,693</u>

(Continued)

TOWN OF MERRYVILLE
ENTERPRISE FUND

Schedule 9

BALANCE SHEET (CONTINUED)
June 30, 1999

LIABILITIES AND FUND EQUITY	<u>1999</u>
Fund Equity:	
Contributed capital-	
Federal and state grants	\$2,588,656
Retained Earnings:	
Unreserved	<u>(1,423,069)</u>
Total fund equity	<u>\$1,165,587</u>
Total liabilities and fund equity	<u>\$1,611,280</u>
	(Concluded)

TOWN OF MERRYVILLE

Schedule 10

ENTERPRISE FUND
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
 RETAINED EARNINGS - PROPRIETARY FUND TYPE
 Year Ended June 30, 1999

	1999
Operating revenues:	
Charges for services	\$ 183,969
Operating expenses:	
Personal services	\$ 103,999
Supplies	49,509
Other services and charges	55,018
Heat, light, and power	35,525
Depreciation	81,334
Total operating expenses	\$ 325,385
Operating loss	\$ (141,416)
Non-operating revenues (expenses):	
Interest income	\$ 1,036
Transfer from general fund	21,928
Transfer from garbage tax fund	12,061
Transfer from street tax fund	19,308
Transfer from sales tax fund	210,810
Transfer to garbage tax fund	(72,861)
Transfer to general fund	(7,704)
Transfer to street tax fund	(70,270)
Interest expense	(21,485)
Total non-operating revenues (expenses)	\$ 92,823
Net income	\$ (48,593)
Retained earnings, (deficit) beginning of year	(951,371)
Prior period adjustment	(423,105)
Retained earnings, (deficit) end of year	\$(1,423,069)

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 For the Fiscal Year Ended June 30, 1999

Proprietary
Fund Type

Enterprise

Cash flows from operating activities:	
Cash received from customers	\$ 168,778
Cash payments to suppliers for goods and services	(131,974)
Cash payments for employee services and employee related fringe benefits	<u>(101,609)</u>
Net cash provided by operating activities	<u>\$ (64,805)</u>
Cash flows from noncapital financing activities:	
Transfers from other funds	\$ 264,107
Transfers to other funds	<u>(150,835)</u>
Net cash provided for noncapital financing activities	<u>\$ 113,272</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (135,261)
Principal paid on bond maturities	(18,000)
Interest paid on bond maturities	(21,927)
Contributed capital received	<u>141,910</u>
Net cash used for capital and related financing activities	<u>\$ (33,278)</u>

(Continued)

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 For the Fiscal Year Ended June 30, 1999

	Proprietary Fund Type
	<u>Enterprise</u>
Cash flows from investing activities:	
Interest on cash management activities	\$ <u>1,036</u>
Net increase in cash and cash equivalents	\$ 16,225
Cash and cash equivalents, beginning of year	<u>104,440</u>
Cash and cash equivalents, end of year	<u>\$ 120,665</u>
 RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	<u>\$ (141,416)</u>
 Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	\$ 81,334
Increase in accounts receivable	(14,927)
Increase in accounts payable	4,231
Increase in payroll taxes payable	2,390
Increase in due froms other funds	(2,735)
Increase in customer deposits	2,061
Decrease in employee advances	<u>4,257</u>
Total adjustments	<u>\$ 76,611</u>
Net cash provided by operating activities	<u>\$ (64,805)</u>

(Concluded)

TOWN OF MERRYVILLE

Schedule 13

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
Year Ended June 30, 1999

	<u>Land</u>	<u>Buildings</u>	<u>Improvements</u>	<u>Equipment</u>	<u>Total</u>
General fixed assets, beginning of year	\$ 600	\$ 69,267	\$ 205,107	\$ 118,969	\$393,943
Additions:					
Assets added	<u>2,000</u>	<u>---</u>	<u>---</u>	<u>40,681</u>	<u>42,681</u>
Deductions:					
Assets removed	<u>---</u>	<u>---</u>	<u>---</u>	<u>(45,000)</u>	<u>(45,000)</u>
General fixed assets, end of year	<u>\$ 2,600</u>	<u>\$ 69,267</u>	<u>\$ 205,107</u>	<u>\$ 114,650</u>	<u>\$391,624</u>

SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
Year Ended June 30, 1999

<u>Board Member</u>	<u>Total Paid</u>
Beaver Knighton	\$ 1,075
Samuel Cole	1,300
Mickey Whitaker	1,025
Foy Rhodes	200
Clyde Kellogg Sr.	<u>1,300</u>
	<u>\$ 4,900</u>

John A. Windham, CPA

A Professional Corporation

1620 North Pine St.
DeRidder, LA 70634
Tel. (318) 462-3211
Fax. (318) 462-0640

John A. Windham, CPA

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH "GOVERNMENT AUDITING STANDARDS"

The Honorable Margaret Krasso, Mayor
and the Members of the Board of Aldermen
Town of Merryville, Louisiana

I have audited the general purpose financial statements of the Town of Merryville, Louisiana, as of and for the year ended June 30, 1999, and have issued my report thereon dated December 13, 1999. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of Merryville, Louisiana's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under GOVERNMENT AUDITING STANDARDS which are described below.

Audit Finding No. 1

Back Dating of Checks

During the audit it was noted that checks were being back dated at the end of each month. These checks were back dated by the clerk who was trying to pay all invoices for the month with a check written by the last day of the month.

The Honorable Margaret Krasso, Mayor
and the Members of the Board of Aldermen
Town of Merryville, Louisiana
Page 2

Recommendation:

Checks should never be back dated. The back dating of checks should be prohibited and made a part of the Town's policy manual. The mayor should oversee the end of month bills that are paid and check the dates on the checks that have been written in payment of those bills. On the first of each month the mayor should review the checkbooks to ascertain that a proper end of the month cutoff of checks has occurred.

Audit Finding No. 2

Payroll Checks Delivered in Advance of Paydays

At various times during the year it was observed that police department pay checks were delivered and cashed prior to the payday for that payroll period. These checks were also dated prior to the payday for the payroll periods. These checks were handed out by the clerk without the administration's knowledge.

Recommendation:

All payroll checks should always be dated on the payday for the prior payroll period. Payroll checks should never be handed out prior to a given payday. The mayor should oversee the distribution of pay checks periodically and compare dated checks to payroll periods and pay dates.

I also noted certain immaterial instances of noncompliance that I have reported to management of the Town of Merryville, Louisiana, in a separate letter dated December 13, 1999.

Internal Control Over Financial Reporting

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

The Honorable Margaret Krasso, Mayor
and the Members of the Board of Aldermen
Town of Merryville, Louisiana
Page 3

Town of Merryville, Louisiana's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described below.

Audit Finding No. 3

Lack of Financial Statements

The Town of Merryville did not maintain financial statements during the year. The general ledger program that the Town possesses is not adequate to produce financial statements by individual funds. The clerk did not possess the knowledge of fund accounting that would have been necessary in order to produce financial statements by individual funds.

Recommendation:

I recommend that the Town purchase a general ledger program that will produce individual fund financial statements. These financial statements should be prepared timely on a monthly basis. The clerk or individuals that will prepare these statements should be adequately trained in their preparation. The mayor should review these statements on a monthly basis to see that they are complete and prepared timely.

Audit Finding No. 4

Inadequate Filing System

The Town of Merryville's filing system for revenue and expenditure/expense documentation is inadequate. Revenue files were observed to have several years of receipts in individual files and in no order. Many invoices were not in their files and had to be tracked down and some invoices were not located. Invoices were found out of their files in other files where they did not belong.

Recommendation:

I recommend that individual files be set up for revenues by the source of such revenue. These files should be kept by fiscal year and not contain receipts for more than that year. Each file's contents should be able to be traced to the perspective revenue account on the financial statements at year end. Expenditure/expense files should be kept in check number order by month, by fund. All check vouchers should be attached to the corresponding invoice and

The Honorable Margaret Krasso, Mayor
and the Members of the Board of Aldermen
Town of Merryville, Louisiana
Page 4

purchase order and filed in check number order. If a check voucher does not have an invoice a note should be attached as to the purpose of the check written. The mayor should periodically review this filing system.

Audit Finding No. 5

Fixed Asset Listing-Proprietary Fund

The Town of Merryville has no fixed asset listing of its proprietary fund assets. There is no depreciation schedule to show a listing of the assets, and their lives, current depreciation and the methods used to compute depreciation, or accumulated depreciation.

Recommendation:

The Town needs to take an inventory of its proprietary fund assets. A search for the historical cost of all of these assets should be performed, by reviewing prior invoices or construction contracts for the cost of construction of the water and sewer system. Known vendors should be contacted for assets purchased from them to obtain the cost of the asset purchased. Individuals knowledgeable in water and sewer system cost should be contacted for estimating historical cost when original cost figures cannot be obtained. All future purchases pertaining to the proprietary fund assets should be entered into the fixed asset accounts set up in the proprietary fund financial statements and added to the listing of fixed assets.

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

However, of the reportable conditions described above, I considered findings No. 3, 4 and 5 to be material weaknesses.

The Honorable Margaret Krasso, Mayor
and the Members of the Board of Aldermen
Town of Merryville, Louisiana
Page 5

I also noted other matters involving the internal control over financial reporting that I have reported to management of the Town of Merryville, Louisiana, in a separate letter dated December 13, 1999.

This report is intended for the information of management, the Legislative Auditor, others within the organization, and the Board of Aldermen, and is not intended to be and should not be used by anyone other than these specified parties.

John A. Windham, CPA
DeRidder, Louisiana
December 13, 1999

John A. Windham, CPA

A Professional Corporation

1620 North Pine St.
DeRidder, LA 70634
Tel. (318) 462-3211
Fax. (318) 462-0640

John A. Windham, CPA

December 20, 1999

The Honorable Margaret Krasso, Mayor
and the Members of The Board of Aldermen
Town of Merryville, Louisiana

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1999 DEC 30 AM 11:23

In planning and performing my audit of the general purpose financial statements of the Town of Merryville, Louisiana, for the year ended June 30, 1999, I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control structure. However, I noted certain matters involving the internal control structure and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that in my judgement, could adversely affect the Town of Merryville, Louisiana's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

Internal Control

Numerous Bank Accounts

Finding:

The Town of Merryville had over thirty active cash accounts during the year. Many of these accounts were carried over from the prior administration and are unnecessary. Several of the accounts are duplicates and some are for bond issues which have been paid off. Many of the accounts are inactive with balances remaining the same all year and no transactions taking place during the year.

Recommendation:

I recommend that the mayor close all unnecessary accounts with board approval. The Town needs to keep only the accounts required by their bond agreement and any other

The Honorable Margaret Krasso, Mayor
and the Members of the Board of Alderman
Town of Merryville, Louisiana
Page 2

Numerous Transfers

Finding:

The Town has too many transfers back and forth between funds. The numerous bank accounts discussed above creates the opportunity for numerous transfers to occur. Many times money was transferred out of one fund only to be transferred back into the same fund at a later date. Most of the transfers that occurred were for no apparent reason. Transfers create additional bookkeeping time and the unnecessary ones should be avoided.

Recommendation:

I recommend that transfers be kept to a minimum. Transfers should be made as required by the bond agreement for the revenue bond. Other transfers should be made only as necessary. Transfers back and forth between funds should be avoided. Closing the unnecessary bank accounts will also help to reduce the number of transfers between accounts.

Enterprise Fund Deficit

Finding:

The deficit in the utility fund's unreserved retained earnings at year end has increased to \$1,423,069. The Town bills water at a flat rate per customer and does not use water meters. Due to the lack of water meters some customers may be using more water than they are actually being billed for. It was noted that collection efforts have been increased during the current administration and that very few delinquent accounts exist at year end.

Recommendation:

I recommend that the Mayor and Board closely monitor water billing to see if a rate increase would be necessary in order to reduce the deficit. The Mayor and Board should look into the cost of installing water meters for each customer. The installation of water meters would charge each customer for their consumption and all residents would be billed according to usage. The Mayor should continue to closely monitor and collect any delinquent accounts.

The Honorable Margaret Krasso, Mayor
and the Members of the Board of Alderman
Town of Merryville, Louisiana
Page 3

Proper Use Of Individual Funds

Finding:

It was noted during the audit that revenues and expenditures/expenses were not properly posted to the individual funds where they belonged. Revenues relating to utility fund operations were deposited to general fund accounts. Several other funds expenses/expenditures were paid out of funds not related to the expenditures/expenses.

Recommendation:

I recommend that the Town Clerk be instructed as to what funds the revenues should be deposited into and the expenditures/expenses be paid out of. The Mayor should oversee this by checking the financial statements each month to see that proper classification has occurred. Any errors noted should be promptly corrected.

Other Comments and Recommendations

Budget Variances

Finding:

The budgets were prepared prior to the beginning of the fiscal year but were never amended. This created large budget variances over the tolerable limit of 5% of total expenditures. The Mayor was not notified by the Clerk when the budgeted figures fell below the actual figures by more than 5% of total expenditures. This is in violation of R.S. 39:1310. There was one special revenue fund that was not budgeted. This is in violation of R.S. 39:1304.

Recommendation:

I recommend that the Mayor and Clerk prepare a budget for the general fund and each special revenue fund and submit the same to the Board no later than fifteen days prior to the beginning of each fiscal year. The Mayor should compare budgeted figures to actual figures throughout the year and amend the budget as necessary. If the Clerk recognizes that budgeted figures have fallen below actual figures by more than 5% of total expenditures the Mayor should be notified in writing.

The Honorable Margaret Krasso, Mayor
and the Members of the Board of Alderman
Town of Merryville, Louisiana
Page 4

Bond Reserve Accounts

Finding:

The bond reserve and contingency accounts were not sufficient in amount to cover the liabilities for the current portion of the bonds payable and the accrued interest on the bonds.

Recommendation:

I recommend that a sinking fund be established and one-twelfth of the next annual principal and interest payment due be deposited into the account on a monthly basis. The bond reserve account should be funded until the balance equals at least the highest single annual principal and interest payment due. According to the bond agreement the depreciation and contingency account should be funded with an amount that will cover the reasonable cost of operating the system.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

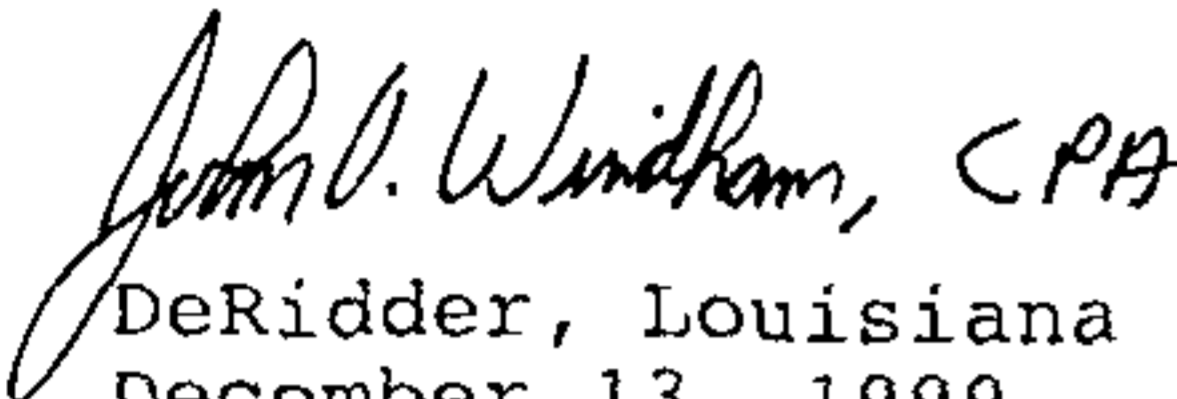
My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

These conditions were considered in determining the nature, timing, and extent of the audit tests applied in my audit of the June 30, 1999 general purpose financial statements, and this report does not affect my report on those general purpose financial statements dated December 13, 1999. I have not considered the internal control structure since the date of my report.

This report is intended solely for the information and use of management, the Board of Aldermen, others within the administration and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

The Honorable Margaret Krasso, Mayor
and the Members of the Board of Alderman
Town of Merryville, Louisiana
Page 5

This report is intended solely for the information and use of management, the Board of Aldermen, others within the administration and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.


DeRidder, Louisiana
December 13, 1999



Town of Merryville

Post Office Box 506
Merryville, LA 70653
Phone: (318) 825-8740

Margaret L. Krasso
Mayor

Foy W. Rhodes
Mayor Pro-Tem

Harvie "Pee Wee" Droddy
Chief of Police

Carolyn Marcantel Myers
Town Clerk
December 22, 1999

Dr. Daniel G. Kyle, Secretary
Legislative Audit Advisory Council
State of Louisiana
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle

This letter is to answer in writing findings of our Audit for the period ending June 30, 1999. Our response to the Audit Findings of the Town of Merryville is as follows:

- Back Dating of checks – Back dating of checks is prohibited by the Town of Merryville and the new clerk will be more closely watched to see policy is followed.
- Payroll checks delivered in advance of Payday – Checks are now handed out by the Mayor and no checks will be available until the day for which the paycheck is due and written.
- Internal Control Over Financial Reporting – We are in the process of purchasing a general ledger program that will produce financial statements. These will be prepared on a monthly basis for the monthly meeting of the Councilmen.
- Inadequate Filing System – The Town files are being up-dated and prepared with folders for each vendor with only this year's records in them and on file for each expenditure and expense and will be kept with the latest date in front.
- Fixed Asset Listing-Proprietary Fund – This is an area we have attempted and will address again this year. There being no records to go on this has not been an easy task. We feel that steps we have taken with a new Town Clerk and a new general ledger program will make it much easier to control our asset as well as material weakness.

Council Members:

Samuel Cole
Clyde Kellogg, Sr.
Beaver B. Knighton
Foy W. Rhodes
Michael Whittaker

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- Numerous Bank Accounts/Numerous Transfers – All unnecessary Bank accounts will be closed and funds will be set up so numerous transfers will not be made between accounts. Accounts for all Utilities will be put into one fund and a General Fund with sub-departments. Only the Tax Funds will be kept in individual accounts. Payroll will be paid from the fund to the employee.
- Enterprise Fund Deficit – All delinquent accounts have now been cleared up and The Utilities are being watched closely and until we can obtain water meters a meter is being installed on our tank to see the gallon usage for the Town
- Proper Use of Individual Funds – The Town has hired a new clerk who has a good knowledge of bookkeeping, and realizes how funds pay for everything relating to their purpose. Purchase Orders are used and are now marked with a department.
- Budget Variances - The new Clerk will be able to know when we are in danger of not being in line with the budget and can alert us to cut back or amend the budget. The budget will also be looked at in May of each year so it can be brought before the Council to be amended if necessary.
- Bond Reserve Accounts – Funds will be put into the reserve and contingency Funds on a regular basic and a sinking fund will be established for no less than one-twelfth of the annual principal and interest payment due.

Should you require further information, or the above stated actions do not satisfy your requirements, please contact me at 337-825-8740. Copies of this response along with the CPA report will be distributed to all Council members at the January Board Meeting.

Sincerely,



Margaret L. Krasso, Mayor