

TOWN OF MERRYVILLE, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

The Honorable David Eaves, Mayor
and Members of the Board of Aldermen
Town of Merryville, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Merryville, Louisiana as of and for the year ended June 30, 2018, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 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, each major fund, and the aggregate remaining fund information of the Town of Merryville, Louisiana as of June 30, 2018, 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.

The Honorable David Eaves, Mayor
and Members of the Board of Aldermen
Town of Merryville, Louisiana

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, and budgetary comparison information, on pages 29 through 30 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 the 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 inquires 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Merryville, Louisiana's basic financial statements. The schedule of per diem paid to board members, combining schedule of net position, combining schedule of revenues, expenses and changes in net position, and schedule of compensation, benefits and other payments to agency head are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of per diem paid to board members, combining schedule of net position, combining schedule of revenues, expenses and changes in net position, and schedule of compensation, benefits and other payments to agency head is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 per diem paid to board members, combining schedule of net position, combining schedule of revenues, expenses and changes in net position, and schedule of compensation, benefits and other payments to agency head are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2018, on our consideration of the Town of Merryville, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Merryville, Louisiana's internal control over financial reporting and compliance.



DeRidder, Louisiana
November 9, 2018

BASIC FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 70,562	\$ 39,672	\$ 110,234
Receivables:			
Ad valorem	45	-	45
Sales taxes	30,751	-	30,751
Franchise taxes	6,904	-	6,904
Traffic fines	4,118	-	4,118
Accounts	-	18,991	18,991
Intergovernmental:			
Alcohol taxes	683	-	683
State mowing contract	3,170	-	3,170
Restricted Federal grant	-	6,867	6,867
Due from utility fund	7,089	-	7,089
Restricted cash and cash equivalents	29,500	133,579	163,079
Capital assets not being depreciated	10,600	316,196	326,796
Capital assets being depreciated, net	381,943	2,716,562	3,098,505
Total assets	\$ 545,365	\$ 3,231,867	\$ 3,777,232
LIABILITIES			
Accounts payable	\$ 22,577	\$ 7,263	\$ 29,840
Contracts payable	-	5,759	5,759
Payroll taxes payable	7,804	3,587	11,391
Due to general fund	-	7,089	7,089
Accrued interest payable	-	1,393	1,393
Noncurrent liabilities:			
Due within one year	-	31,375	31,375
Due in more than one year	-	-	-
Customer deposits	-	18,101	18,101
Total liabilities	\$ 30,381	\$ 74,567	\$ 104,948
NET POSITION			
Net investment in capital assets	\$ 392,543	\$ 3,001,383	\$ 3,393,926
Restricted for:			
Revenue bond retirement	-	57,308	57,308
Construction projects	-	45,678	45,678
Sales taxes	59,646	-	59,646
Unrestricted	62,795	52,931	115,726
Total net position	\$ 514,984	\$ 3,157,300	\$ 3,672,284
Total liabilities and net position	\$ 545,365	\$ 3,231,867	\$ 3,777,232

The accompanying notes are an integral part of this statement.

Statement of Activities
For the Year Ended June 30, 2018

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Program Activities							
Governmental activities:							
General government and administration	\$ 187,159	\$ -	\$ -	\$ -	\$ (187,159)	\$ -	\$ (187,159)
Public safety	277,888	257,964	-	-	(19,924)	-	(19,924)
Public works	247,079	40,560	-	823	(205,696)	-	(205,696)
Total governmental activities	\$ 712,126	\$ 298,524	\$ -	\$ 823	\$ (412,779)	\$ -	\$ (412,779)
Business-type activities:							
Water and sewer	474,013	223,743	45,678	215,827	-	11,235	11,235
Total government	\$ 1,186,139	\$ 522,267	\$ 45,678	\$ 216,650	\$ (412,779)	\$ 11,235	\$ (401,544)
General revenues:							
Taxes:							
Ad valorem					35,850	-	35,850
Sales					348,731	-	348,731
Alcohol					2,537	-	2,537
Franchise					37,921	-	37,921
Occupational licenses and permits					36,752	-	36,752
Investment earnings					-	60	60
Gain on sale of assets					1,524	-	1,524
Rentals					6,289	-	6,289
Miscellaneous					1,149	-	1,149
Transfers					(105,678)	105,678	-
Total general revenues and transfers					365,075	105,738	470,813
Change in net position					(47,704)	116,973	69,269
Net position at beginning of year					562,688	3,040,327	3,603,015
Net position at end of year					\$ 514,984	\$ 3,157,300	\$ 3,672,284

The accompanying notes are an integral part of this statement.

Balance Sheet
Governmental Funds
June 30, 2018

	General	<u>Major Fund</u> <u>Special Revenue</u> <u>Fund</u>	Total Governmental Funds
		Sales Tax Fund	
ASSETS			
Cash and cash equivalents	\$ 70,562	\$ -	\$ 70,562
Receivables:			
Ad valorem taxes	45	-	45
Sales taxes	-	30,751	30,751
Franchise taxes	6,904	-	6,904
Traffic fines	4,118	-	4,118
Intergovernmental:			
Alcohol taxes	683	-	683
State mowing contract	3,170	-	3,170
Due from utility fund	7,089	-	7,089
Restricted cash and cash equivalents	-	29,500	29,500
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 92,571</u>	<u>\$ 60,251</u>	<u>\$ 152,822</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 21,972	\$ 605	\$ 22,577
Payroll taxes payable	7,804	-	7,804
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 29,776</u>	<u>\$ 605</u>	<u>\$ 30,381</u>
Fund Balances:			
Unassigned	\$ 62,795	\$ -	\$ 62,795
Restricted	-	59,646	59,646
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>\$ 62,795</u>	<u>\$ 59,646</u>	<u>\$ 122,441</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 92,571</u>	<u>\$ 60,251</u>	<u>\$ 152,822</u>

The accompanying notes are an integral part of this statement.

Reconciliation of the Governmental Funds Balance Sheet
to Statement of Net Position
June 30, 2018

Total fund balance - total governmental funds	\$	122,441
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheets.		<u>392,543</u>
Net position of governmental activities	\$	<u><u>514,984</u></u>

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	<u>General Fund</u>	<u>Major Fund Special Revenue Fund Sales Tax Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes:			
Ad valorem	\$ 35,850	\$ -	\$ 35,850
Sales	-	348,731	348,731
Franchise	37,921	-	37,921
Charges for services	40,560	-	40,560
Intergovernmental:			
Alcohol taxes	2,537	-	2,537
Local grants	823	-	823
Occupational licenses and permits	-	36,752	36,752
Fines and forfeitures	257,964	-	257,964
Rentals	6,289	-	6,289
Miscellaneous	590	559	1,149
Total revenues	<u>\$ 382,534</u>	<u>\$ 386,042</u>	<u>\$ 768,576</u>
Expenditures			
General government	\$ 168,850	\$ 7,863	\$ 176,713
Public safety	264,533	-	264,533
Public works	237,575	-	237,575
Capital outlay	19,899	-	19,899
Total expenditures	<u>\$ 690,857</u>	<u>\$ 7,863</u>	<u>\$ 698,720</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (308,323)</u>	<u>\$ 378,179</u>	<u>\$ 69,856</u>
Other financing sources (uses)			
Transfer in	\$ 271,330	\$ -	\$ 271,330
Transfer out	-	(377,008)	(377,008)
Gain on sale of assets	1,524	-	1,524
Total other financing sources (uses)	<u>\$ 272,854</u>	<u>\$ (377,008)</u>	<u>\$ (104,154)</u>
Net change in fund balance	\$ (35,469)	\$ 1,171	\$ (34,298)
Fund balances at beginning of year	<u>98,264</u>	<u>58,475</u>	<u>156,739</u>
Fund balances at end of year	<u>\$ 62,795</u>	<u>\$ 59,646</u>	<u>\$ 122,441</u>

The accompanying notes are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds	\$	(34,298)
Amounts reported for governmental activities in the statement of activities are different because:		
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.		
		(33,305)
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		
		<u>19,899</u>
Change in net position of governmental activities	\$	<u><u>(47,704)</u></u>

The accompanying notes are an integral part of this statement.

Statement of Net Position
Proprietary Fund
June 30, 2018

	Business-type Activities - Enterprise Fund <u>Water and Sewer</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 39,672
Receivables:	
Accounts	18,991
Intergovernmental:	
Restricted federal grant	6,867
Restricted cash and cash equivalents	<u>133,579</u>
Total current assets	<u>\$ 199,109</u>
Noncurrent Assets	
Capital assets not being depreciated	\$ 316,196
Capital assets being depreciated, net	<u>2,716,562</u>
Total noncurrent assets	<u>\$ 3,032,758</u>
Total assets	<u><u>\$ 3,231,867</u></u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 7,263
Contracts payable	1,067
Payroll taxes payable	3,587
Due to general fund	7,089
Total current liabilities	<u>\$ 19,006</u>
Liabilities payable from restricted assets	
Contracts payable	\$ 4,692
Accrued interest payable	1,393
Current portion of revenue bonds payable	31,375
Total liabilities payable from restricted assets	<u>\$ 37,460</u>
Noncurrent Liabilities	
Customer deposits	<u>\$ 18,101</u>
Total liabilities	<u>\$ 74,567</u>
NET POSITION	
Net investment in capital assets	\$ 3,001,383
Restricted for:	
Revenue bond retirement	57,308
Construction projects	45,678
Unrestricted	<u>52,931</u>
Total net position	<u>\$ 3,157,300</u>
Total liabilities and net position	<u><u>\$ 3,231,867</u></u>

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Fund
 For the Year Ended June 30, 2018

	Business-type Activities - <u>Enterprise Fund</u> Water and <u>Sewer</u>
Operating revenues	
Charges for services	<u>\$ 223,743</u>
Operating expenses	
Personal services	\$ 153,074
Supplies	30,608
Contractual services	127,677
Depreciation	160,917
Total operating expenses	<u>\$ 472,276</u>
Income (loss) from operations	<u>\$ (248,533)</u>
Nonoperating revenues (expenses)	
Investment income	\$ 60
Interest expense	(1,737)
Total nonoperating revenues (expenses)	<u>\$ (1,677)</u>
Income (loss) before contributions and transfers	\$ (250,210)
Transfers in	\$ 105,678
Capital contributions	<u>261,505</u>
Change in net position	\$ 116,973
Net position at beginning of year	<u>\$ 3,040,327</u>
Net position at end of year	<u><u>\$ 3,157,300</u></u>

The accompanying notes are an integral part of this statement.

Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Fund
	Water and Sewer
Cash flows from operating activities:	
Cash received from customers	\$ 224,737
Cash payments to suppliers for goods and services	(160,706)
Cash payments to employees for services	(152,803)
Net cash used by operating activities	\$ (88,772)
Cash flows from noncapital financing activities:	
Transfers from other funds	\$ 105,678
Capital contributions received	43,503
Funds received from general fund	1,959
Net cash provided by noncapital financing activities	\$ 151,140
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (212,026)
Interest paid on bonds	(3,069)
Retirement of bonds	(30,000)
Capital contributions received	214,051
Net cash used by capital and related financing activities	\$ (31,044)
Cash flow from investing activities:	
Interest on cash and investments	\$ 60
Net increase (decrease) in cash and cash investments	\$ 31,384
Cash and cash equivalents, July 1, 2017	141,867
Cash and cash equivalents, June 30, 2018	\$ 173,251

(Continued)

The accompanying notes are an integral part of this statement.

Statement of Cash Flows
 Proprietary Fund
 For the Year Ended June 30, 2018

		Business-type Activities - Enterprise Funds
		Water and Sewer
Reconciliation of income (loss) from operations to net cash used by operating activities:		
Loss from operations	\$	(248,533)
Adjustments to reconcile income (loss) from operations to net cash used by operating activities:		
Depreciation	\$	160,917
Change in assets and liabilities:		
Decrease in accounts receivable		630
Increase in payroll taxes payable		271
Decrease in accounts payable		(2,421)
Increase in customer deposits payable		364
		(88,772)
Net cash used by operating activities	\$	(88,772)
		(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

Town of Merryville, Louisiana

Notes to the Financial Statements
As of and for the Year Ended June 30, 2018

INTRODUCTION

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

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

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

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

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the municipality is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the municipality may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes

Town of Merryville, Louisiana

Notes to the Financial Statements (Continued)

are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The municipality reports the following major governmental funds:

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

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

The municipality reports the following major proprietary fund:

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

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

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

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

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

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

Town of Merryville, Louisiana

Notes to the Financial Statements (Continued)

C. Deposits and Investments

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

D. Receivables and Payables

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

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

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

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

<u>Property Tax Calendar</u>	
Assessment date	January 1, 2017
Levy date	June 30, 2017
Tax bills mailed	October 15, 2017
Total taxes are due	December 31, 2017
Penalties & interest due	January 31, 2018
Lien date	January 31, 2018
Tax sale	May 15, 2018

For the year ended June 30, 2017, taxes of 8.50 mills were levied on property with an assessed valuation totaling \$2,465,009, and were dedicated as follows:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Taxes due for:			Renewed Annually
General corporate tax	8.50	8.50	

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

Town of Merryville, Louisiana

Notes to the Financial Statements (Continued)

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

Taxpayer	Type of Business	Assessed Valuation	% of Total Assessed Valuation	Ad Valorem Tax Revenue for Municipality
Central Louisiana Electric, Co.	Utility	\$ 180,640	7.32%	\$ 3,071
Texas Petroleum Investment Co.	Gas & Oil	331,985	13.47%	5,644
Total		<u>\$ 512,625</u>	<u>20.79%</u>	<u>\$ 8,715</u>

Sales Tax

The Town of Merryville receives a one-percent sales and use tax, for a period of twenty years beginning January 1, 2013 and ending December 31, 2033, the revenues derived from said sales and use tax to be dedicated and used for the purpose of constructing, acquiring, extending, improving, operating and maintaining streets for the Town.

The Town of Merryville also receives a one-percent sales and use tax for a period of twenty years beginning January 1, 2013 and ending December 31, 2033. The revenues derived from said sales and use tax to be dedicated and used for the purpose of operating, maintaining and administering solid waste disposal facilities.

The Town of Merryville receives a one-percent perpetual sales and use tax. The revenues derived from said sales and use tax to be dedicated and used for the purpose of constructing, acquiring, extending, improving, operating and/or maintaining sewers and sewage disposal works.

E. Restricted Assets

Certain proceeds of construction project grants, 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 grant agreements and applicable bond covenants.

Sinking fund – The Utility Revenue Bonds dated August 10, 1978 require that a sinking fund be established. Money in this account is used to pay the maturing principal and interest on the bonds.

Bond reserve fund – The Utility Revenue Bonds dated August 10, 1978 require that a reserve fund be established. Money in this account is used to pay the maturing principal and interest on the bonds when sufficient money is not available in the sinking fund.

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

F. Capital Assets

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

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

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

Notes to the Financial Statements (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred during the current fiscal year was \$1,737. No interest was included as part of the cost of capital assets under construction in construction projects.

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

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

G. Compensated Absences

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

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

Vacation

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

Vacation days cannot be carried over from year to year.

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

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

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

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

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

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

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

Notes to the Financial Statements (Continued)

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

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

Sick leave may be used as maternity leave.

H. Long-Term Obligations

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

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

I. Extraordinary and Special Items

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

J. Estimates

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

K. Fund Balances

- | | |
|------------|--|
| Unassigned | Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. |
| Restricted | Amounts that are restricted to a specific purpose should be reported as restricted fund balance. Fund balance should be reported as restricted when constraints placed on the use of resources are either: <ul style="list-style-type: none">a. externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; orb. imposed by law through constitutional provisions or enabling legislation. |

Notes to the Financial Statements (Continued)

L. Restricted Net Position

For government-wide statement of net position and the proprietary fund net position, net position is reported as restricted when constraints placed on net position use either:

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGET INFORMATION The municipality uses the following budget practices:

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

EXCESS OF EXPENDITURES OVER APPROPRIATIONS The following individual fund had actual expenditures over budgeted appropriations for the year ended June 30, 2018.

Fund	Original Budget	Final Budget	Actual	Unfavorable Variance
General Fund	\$ 639,104	\$ 684,104	\$ 690,857	\$ 6,753

3. CASH AND CASH EQUIVALENTS

At June 30, 2018, the municipality has cash and cash equivalents (book balances) totaling \$273,313 as follows:

Demand deposits	\$ 198,516
Petty cash	200
Money market investment accounts	74,597
Total	<u>\$ 273,313</u>

Town of Merryville, Louisiana

Notes to the Financial Statements (Continued)

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, 2018, the municipality has \$285,017 in deposits (collected bank balances). These deposits are secured from risk by \$285,017 of federal deposit insurance.

4. RECEIVABLES

The receivables of \$71,529 at June 30, 2018, are as follows:

<u>Class of receivable</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
Taxes:				
Ad valorem	\$ 45	\$ -	\$ -	\$ 45
Sales and use	-	30,751	-	30,751
Franchise	6,904	-	-	6,904
Accounts	-	-	18,991	18,991
Traffic fines	4,118	-	-	4,118
Intergovernmental:				
Alcohol taxes	683	-	-	683
State mowing contract	3,170	-	-	3,170
Federal grant	-	-	6,867	6,867
Total	<u>\$ 14,920</u>	<u>\$ 30,751</u>	<u>\$ 25,858</u>	<u>\$ 71,529</u>

Town of Merryville, Louisiana

Notes to the Financial Statements (Continued)

5. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2018, for the primary government is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 10,600	\$ -	\$ -	\$ 10,600
Total capital assets not being depreciated	<u>\$ 10,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,600</u>
Capital assets being depreciated				
Buildings	\$ 317,938	\$ -	\$ -	\$ 317,938
Vehicles	60,578	5,000	5,516	60,062
Improvements other than buildings	342,756	-	-	342,756
Machinery and equipment	213,370	14,899	-	228,269
Total capital assets being depreciated	<u>\$ 934,642</u>	<u>\$ 19,899</u>	<u>\$ 5,516</u>	<u>\$ 949,025</u>
Less accumulated depreciation for:				
Buildings	\$ 131,095	\$ 9,277	\$ -	\$ 140,372
Vehicles	25,094	9,277	5,516	28,855
Improvements other than buildings	190,771	11,881	-	202,652
Machinery and equipment	192,333	2,870	-	195,203
Total accumulated depreciation	<u>\$ 539,293</u>	<u>\$ 33,305</u>	<u>\$ 5,516</u>	<u>\$ 567,082</u>
Total capital assets being depreciated, net	<u>\$ 395,349</u>	<u>\$ (13,406)</u>	<u>\$ -</u>	<u>\$ 381,943</u>

Town of Merryville, Louisiana

Notes to the Financial Statements (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 37,666	\$ -	\$ -	\$ 37,666
Construction in progress	63,661	214,869	-	278,530
Total capital assets not being depreciated	<u>\$ 101,327</u>	<u>\$ 214,869</u>	<u>\$ -</u>	<u>\$ 316,196</u>
Capital assets being depreciated				
Buildings	\$ 18,328	\$ -	\$ -	\$ 18,328
Improvements other than buildings	6,647,086	-	-	6,647,086
Machinery and equipment	224,979	-	-	224,979
Total capital assets being depreciated	<u>\$ 6,890,393</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,890,393</u>
Less accumulated depreciation for:				
Buildings	\$ 3,990	\$ 459	\$ -	\$ 4,449
Improvements other than buildings	3,825,794	155,318	-	3,981,112
Machinery and equipment	183,130	5,140	-	188,270
Total accumulated depreciation	<u>\$ 4,012,914</u>	<u>\$ 160,917</u>	<u>\$ -</u>	<u>\$ 4,173,831</u>
Total capital assets being depreciated, net	<u>\$ 2,877,479</u>	<u>\$ (160,917)</u>	<u>\$ -</u>	<u>\$ 2,716,562</u>

Depreciation expense of \$33,305 for the year ended June 30, 2018, was charged to the following governmental functions:

Public works	\$ 9,504
Public safety	13,355
General administration	10,446
Total	<u>\$ 33,305</u>

6. CONSTRUCTION COMMITMENTS

The municipality had an active construction project as of June 30, 2018. The municipality is in the process of improving its sewer system. At year end the commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Goss Road Sewer Expansion	<u>\$ 278,530</u>	<u>\$ 398,470</u>

Town of Merryville, Louisiana

Notes to the Financial Statements (Continued)

7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

As of year-end three one-percent sales and use taxes had passed and were being collected and deposited into a special revenue sales tax fund. The money is then transferred out of the sales tax fund and split between the general fund and proprietary fund according to the percentage found in the sales tax resolution. These transfers are completed on a monthly basis and are routine transfers for the town.

	<u>Transfer in</u>	<u>Transfer out</u>
Special revenue fund	\$ -	\$ 377,008
General fund	271,330	-
Proprietary fund	105,678	-
Total	<u>\$ 377,008</u>	<u>\$ 377,008</u>

8. ACCOUNTS AND OTHER PAYABLES

The payables of \$66,484 at June 30, 2018, are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
Payroll taxes	\$ 7,804	\$ -	\$ 3,587	\$ 11,391
Accounts	21,972	605	7,263	29,840
Contracts payable	-	-	5,759	5,759
Accrued interest	-	-	1,393	1,393
Customer deposits	-	-	18,101	18,101
Total	<u>\$ 29,776</u>	<u>\$ 605</u>	<u>\$ 36,103</u>	<u>\$ 66,484</u>

9. DUE TO/FROM OTHER FUNDS

The composition of interfund balances on June 30, 2018, are as follows:

	<u>Due to</u>	<u>Due from</u>
General fund	\$ -	\$ 7,089
Utility fund	7,089	-
Total	<u>\$ 7,089</u>	<u>\$ 7,089</u>

These small balances result from one fund paying expenditures/expenses of another fund and will be liquidated during the following year.

10. LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended June 30, 2018.

	<u>Bonded Debt</u>
Long-term obligations at beginning of year	\$ 61,375
Additions	-
Deductions	(30,000)
Long-term obligations at end of year	<u>\$ 31,375</u>

Town of Merryville, Louisiana

Notes to the Financial Statements (Continued)

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of June 30, 2018:

	<u>Bonded Debt</u>
Current portion	\$ 31,375
Long-term portion	-
Total	<u>\$ 31,375</u>

Revenue bonds outstanding at June 30, 2018 for \$31,375, have maturities from 2016 to 2019 and interest at the rate of 5%. Bond principal and interest payable in the next fiscal year are \$31,375 and \$1,560 respectively. The individual issues are as follows:

<u>Bond</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Final Payment Due</u>	<u>Interest to Maturity</u>	<u>Principal Outstanding</u>	<u>Funding Source</u>
Utilities Revenue Refunding Bonds Series 1978	\$ 550,000	5.00%	8/10/2018	\$ 1,560	\$ 31,375	Water revenues
<u>Year Ending June 30,</u>				<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2019				<u>\$ 31,375</u>	<u>\$ 1,560</u>	<u>\$ 32,935</u>

In accordance with R.S. 39:562, the municipality is legally restricted from incurring long-term bonded debt in excess of 35% of the assessed value of taxable property. At June 30, 2018, the statutory limit is \$862,753 and outstanding bonded debt totals \$31,375.

11. RESTRICTED NET POSITION

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

Restricted assets:	
Sinking fund, reserve and contingency accounts	\$ 90,076
Federal grant receivable	6,867
FEMA cash account	43,503
Total	<u>\$ 140,446</u>
Less:	
Liabilities payable from restricted assets:	
Current portion of bond	\$ 31,375
Accrued interest on bonds	1,393
Contracts payable	4,692
Total	<u>\$ 37,460</u>
Restricted net position	<u>\$ 102,986</u>

Town of Merryville, Louisiana

Notes to the Financial Statements (Concluded)

The Special Revenue Fund – The Sales Tax Fund had restricted fund balance as follows:

Restricted assets:	
Cash	\$ 29,500
Accounts receivable	<u>30,751</u>
Total	<u>\$ 60,251</u>
Less:	
Liabilities payable from restricted assets:	
Sales tax collection fees	<u>\$ 605</u>
Restricted fund balance	<u>\$ 59,646</u>

REQUIRED SUPPLEMENTAL INFORMATION

General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amount	Budget to Actual differences over (under)
	Original	Final		
Revenues				
Taxes:				
Ad valorem	\$ 35,000	\$ 35,000	\$ 35,850	\$ 850
Franchise fees	39,000	39,000	37,921	(1,079)
Charges for services	38,840	38,840	40,560	1,720
Intergovernmental:				
Alcohol taxes	3,000	3,000	2,537	(463)
Federal grants	5,000	5,000	-	(5,000)
Local grants	-	-	823	823
Permits	2,000	2,000	-	(2,000)
Fines and forfeitures	253,500	253,500	257,964	4,464
Rentals	6,500	6,500	6,289	(211)
Miscellaneous	-	-	590	590
Total revenues	<u>\$ 382,840</u>	<u>\$ 382,840</u>	<u>\$ 382,534</u>	<u>\$ (306)</u>
Expenditures				
General government and administration	\$ 279,075	\$ 289,075	\$ 168,850	\$ 120,225
Public safety	240,049	265,049	264,533	516
Public works	114,100	124,100	237,575	(113,475)
Capital outlay	5,880	5,880	19,899	(14,019)
Total expenditures	<u>\$ 639,104</u>	<u>\$ 684,104</u>	<u>\$ 690,857</u>	<u>\$ (6,753)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (256,264)</u>	<u>\$ (301,264)</u>	<u>\$ (308,323)</u>	<u>\$ (7,059)</u>
Other financing sources:				
Transfer in	\$ 253,000	\$ 273,000	\$ 271,330	\$ (1,670)
Gain on sale of assets	-	-	1,524	1,524
Total other financing sources	<u>\$ 253,000</u>	<u>\$ 273,000</u>	<u>\$ 272,854</u>	<u>\$ (146)</u>
Net change in fund balance	\$ (3,264)	\$ (28,264)	\$ (35,469)	\$ (7,205)
Fund balances at beginning of year	<u>55,210</u>	<u>98,264</u>	<u>98,264</u>	<u>-</u>
Fund balances at end of year	<u><u>\$ 51,946</u></u>	<u><u>\$ 70,000</u></u>	<u><u>\$ 62,795</u></u>	<u><u>\$ (7,205)</u></u>

Special Revenue Fund
Sales Tax Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amount	Budget to Actual differences over (under)
	Original	Final		
Revenues				
Taxes:				
Sales	\$ 345,000	\$ 345,000	\$ 348,731	\$ 3,731
Occupational licenses	31,000	31,000	36,752	5,752
Miscellaneous	-	-	559	559
Total revenues	<u>\$ 376,000</u>	<u>\$ 376,000</u>	<u>\$ 386,042</u>	<u>\$ 10,042</u>
Expenditures				
General government and administration	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>\$ 7,863</u>	<u>\$ 137</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 368,000</u>	<u>\$ 368,000</u>	<u>\$ 378,179</u>	<u>\$ 10,179</u>
Other financing sources (uses):				
Transfers out	<u>\$ (368,000)</u>	<u>\$ (368,000)</u>	<u>\$ (377,008)</u>	<u>\$ (9,008)</u>
Net change in fund balance	\$ -	\$ -	\$ 1,171	\$ 1,171
Fund balances at beginning of year	<u>30,397</u>	<u>58,475</u>	<u>58,475</u>	<u>-</u>
Fund balances at end of year	<u><u>\$ 30,397</u></u>	<u><u>\$ 58,475</u></u>	<u><u>\$ 59,646</u></u>	<u><u>\$ 1,171</u></u>

OTHER SUPPLEMENTAL INFORMATION

Schedule of Per Diem Paid to Board Members
 Year Ended June 30, 2018

<u>Board Members</u>	<u>Total Paid</u>
Mark Allen	\$ 1,275
Beaver Knighton	525
Sara Sellers	1,275
Amanda Pointer	1,275
Dale Reinhardt	1,250
Michael Knighton, Jr.	100
	<u>\$ 5,700</u>

Combining Schedule of Net Position
Proprietary Fund
June 30, 2018

	Business-type Activities - Enterprise Fund		
	Water System	Sewer System	Utility Fund Total
ASSETS			
Cash and cash equivalents	\$ 35,942	\$ 3,730	\$ 39,672
Receivables:			
Accounts	6,541	12,450	18,991
Intergovernmental:			
Restricted Federal grant	2,175	4,692	6,867
Restricted cash and cash equivalents	-	133,579	133,579
Capital assets not being depreciated	541	315,655	316,196
Capital assets being depreciated, net	450,719	2,265,843	2,716,562
	<u>\$ 495,918</u>	<u>\$ 2,735,949</u>	<u>\$ 3,231,867</u>
LIABILITIES			
Accounts payable	\$ 2,609	\$ 4,654	\$ 7,263
Contracts payable	-	5,759	5,759
Payroll taxes payable	1,291	2,296	3,587
Accrued interest payable	-	1,393	1,393
Customer deposits	6,516	11,585	18,101
Due to general fund	-	7,089	7,089
Noncurrent liabilities:			
Due within one year	-	-	-
Due in more than one year	-	31,375	31,375
	<u>\$ 10,416</u>	<u>\$ 64,151</u>	<u>\$ 74,567</u>
NET POSITION			
Net Investment in capital assets	\$ 451,260	\$ 2,550,123	\$ 3,001,383
Restricted for:			
Revenue bond retirement	-	57,308	57,308
Construction projects	-	45,678	45,678
Unrestricted	34,242	18,689	52,931
	<u>\$ 485,502</u>	<u>\$ 2,671,798</u>	<u>\$ 3,157,300</u>
Total net position	<u>\$ 485,502</u>	<u>\$ 2,671,798</u>	<u>\$ 3,157,300</u>
Total liabilities and net position	<u>\$ 495,918</u>	<u>\$ 2,735,949</u>	<u>\$ 3,231,867</u>

Combining Schedule of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Fund		
	Water System	Sewer System	Utility Fund Total
Operating revenues			
Charges for services	\$ 77,239	\$ 146,504	\$ 223,743
Operating expenses			
Personal services	\$ 55,107	\$ 97,967	\$ 153,074
Supplies	11,018	19,590	30,608
Contractual services	45,964	81,713	127,677
Depreciation	24,843	136,074	160,917
Total operating expenses	\$ 136,932	\$ 335,344	\$ 472,276
Income (loss) from operations	\$ (59,693)	\$ (188,840)	\$ (248,533)
Nonoperating revenues (expenses)			
Investment income	\$ 22	\$ 38	\$ 60
Interest expense	-	(1,737)	(1,737)
Total nonoperating revenues (expenses)	\$ 22	\$ (1,699)	\$ (1,677)
Income (loss) before contributions and transfers	\$ (59,671)	\$ (190,539)	\$ (250,210)
Transfers in	\$ -	\$ 105,678	\$ 105,678
Capital contributions	-	261,505	261,505
Change in net position	\$ (59,671)	\$ 176,644	\$ 116,973
Net position at beginning of year	545,173	2,495,154	3,040,327
Net position at end of year	\$ 485,502	\$ 2,671,798	\$ 3,157,300

Schedule of Compensation, Benefits and
Other Payments to Agency Head
For the Year ended June 30, 2018

<u>Agency Head Name - David Eaves</u>	<u>Amount</u>
Salary	\$ 8,400
Benefits - insurance	-
Benefits - retirement	-
Deferred compensation	-
Benefits - other	-
Car allowance	-
Vehicle provided by government	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Housing	-
Unvouchered expenses	-
Special meals	-
Other	-

OTHER REPORTS

Schedule of Prior Year Audit Findings and Management's Response
Year Ended June 30, 2018

There were no prior year audit findings as of June 30, 2017.

Schedule of Current Year Audit Findings and Management's Response
Year Ended June 30, 2018

There were no current year audit findings as of June 30, 2018.

Windham & Reed, L.L.C.

Certified Public Accountants

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

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

The Honorable David Eaves, Mayor
and the Members of the Board of Aldermen
Town of Merryville, 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, each major fund, and the aggregate remaining fund information of the Town of Merryville, Louisiana as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Merryville, Louisiana's basic financial statements, and have issued our report thereon dated November 9, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Merryville, 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 Merryville, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Merryville, Louisiana's internal control.

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. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Merryville, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Honorable David Eaves, Mayor
and Members of the Board of Aldermen
Town of Merryville, Louisiana

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.

Handwritten signature of John L. Windham, CPA in black ink.

DeRidder, Louisiana
November 9, 2018

Windham & Reed, L.L.C.

Certified Public Accountants

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

The Honorable David Eaves, Mayor
and the Members of the Board of Aldermen
Town of Merryville, Louisiana

We have performed the procedures enumerated below, which were agreed to by Town of Merryville, Louisiana (Entity) 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 July 1, 2017 through June 30, 2018. The Entity'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 - Not Applicable

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

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- 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.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Board or Finance Committee

- 2. Obtain and inspect the board/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.
Not applicable.
 - 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. *Alternatively, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
The minutes do not reference monthly budget-to-actual comparison for the general fund and special revenue fund.
 - c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted 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 unrestricted fund balance in the general fund.
Not applicable.

Bank Reconciliations - Not Applicable

- 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);
 - 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
 - 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.

Collections - Not Applicable

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.
 - 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.
 - 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.
 - 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.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
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). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - 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).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Non-Payroll Disbursements (excluding credit card purchases/payments, travel reimbursements, and petty cash purchases)
- Not Applicable

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

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

Credit Cards/Debit Cards/Fuel Cards/P-Cards - Not Applicable

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.]]
 - b) Observe that finance charges and/or late fees were assessed on the selected statements.

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).

Travel and Travel-Related Expense Reimbursements (excluding card transactions) - Not Applicable

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 reimbursement, 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).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - 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).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts - Not Applicable

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

Payroll and Personnel - Not Applicable

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.)

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
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.
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.

Ethics - Not Applicable

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

Debt Service - Not Applicable

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.
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.

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.

Not applicable.

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.

Posted on premises. Website manager has added to website.

The Honorable David Eaves, Mayor
and Members of the Board of Aldermen
Town of Merryville, Louisiana

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Windham & Reed CPA, L.L.C.
DeRidder, Louisiana
November 9, 2018