

TOWN OF MELVILLE, LOUISIANA
Financial Report

Year Ended September 30, 2020

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1-3
 BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)	
Statement of net position	7
Statement of activities	8-9
 FUND FINANCIAL STATEMENTS (FFS)	
Balance sheet - governmental funds	11
Reconciliation of the governmental funds balance sheet to the statement of net position	12
Statement of revenues, expenditures, and changes in fund balances - governmental funds	13
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities	14
Statement of net position - proprietary funds	15
Statement of revenues, expenses, and changes in fund net position - proprietary funds	16
Statement of cash flows - proprietary funds	17-18
 Notes to basic financial statements	 19-35
 REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedules:	
General Fund	37
Sales Tax Special Revenue Fund	38
Notes to Budgetary Comparison Schedule	39
 OTHER SUPPLEMENTARY INFORMATION	
OTHER FINANCIAL INFORMATION	
Schedule of compensation, benefits, and other payments to agency head - Velma Hendricks, Mayor	42
Schedule of compensation - board of alderman	43
Schedule of number of utility customers	44
Schedule of insurance in force	45

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS	
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 <i>Government Auditing Standards</i>	49-50
Schedule of current and prior year audit findings and management's corrective action plan	51-60

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

Brad E. Kolder, CPA, JD*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Stephen J. Anderson, CPA*
Matthew E. Margaglio, CPA*
Casey L. Ardoin, CPA, CFE*
Wanda F. Arcement, CPA
Bryan K. Joubert, CPA
Nicholas Fowlkes, CPA

C. Burton Kolder, CPA*
Of Counsel

Victor R. Slaven, CPA* - retired 2020
Christine C. Doucet, CPA – retired 2022

183 S. Beadle Rd.
Lafayette, LA 70508
Phone (337) 232-4141

11929 Bricksome Ave.
Baton Rouge, LA 70816
Phone (225) 293-8300

1428 Metro Dr.
Alexandria, LA 71301
Phone (318) 442-4421

450 E. Main St.
New Iberia, LA 70560
Phone (337) 367-9204

200 S. Main St.
Abbeville, LA 70510
Phone (337) 893-7944

1201 David Dr.
Morgan City, LA 70380
Phone (985) 384-2020

434 E. Main St.
Ville Platte, LA 70586
Phone (337) 363-2792

332 W. Sixth Ave.
Oberlin, LA 70655
Phone (337) 639-4737

WWW.KCSRCPAS.COM

* A Professional Accounting Corporation

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Melville, Louisiana, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Melville, Louisiana'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 of 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.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Qualified
Sales Tax Special Revenue Fund	Unmodified
Proprietary Fund	Qualified

Basis for Qualified Opinion on the Governmental Activities, Business-Type Activities, General Fund and Proprietary Fund

Management of the Town of Melville, Louisiana, did not retain sufficient records and provide adequate audit evidence for the Governmental Activities and General Fund tax receivables, as reported on the statement of net position and balance sheet, and expenditures, as reported in the statement of activities and statement of revenues, expenditures, and changes in fund balance. In addition, management did not retain sufficient records and provide adequate audit evidence for the Business-Type Activities and Proprietary Fund customer deposit liabilities, as reported in the statement of net position, and charges for services revenue, as reported in the statement of activities and the statement of revenues, expenses, and changes in net position. The amount by which these matters would affect the assets, fund balance and/or net position, revenues, and expenditures has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities, Business-Type Activities, General Fund, and Proprietary Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the General Fund, and the Proprietary Fund of the Town of Melville, Louisiana, as of September 30, 2020, 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.

Unmodified Opinion

In our opinion, the financial statements of the major Sales Tax Special Revenue Fund presents fairly, in all material respects, the respective financial position of the major fund of the Town of Melville, Louisiana, as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

The accompanying financial statements have been prepared assuming that the Town of Melville, Louisiana, will continue as a going concern. As discussed in Note 16 to the financial statements, the Town had large outstanding liabilities and inability to comply with the bond requirements with regards to reserves. As a result, substantial doubt has been indicated about the ability of the Town to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters also are described in Note 16. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information on pages 37 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Town of Melville has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America requires 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 an opinion on the financial statements that collectively comprise the Town of Melville, Louisiana's basic financial statements. The other supplementary information on pages 42 through 45 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2022 on our consideration of the Town of Melville, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial

reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Melville, Louisiana's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
September 28, 2022

BASIC FINANCIAL STATEMENTS

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

TOWN OF MELVILLE, LOUISIANA

Statement of Net Position
September 30, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and interest-bearing deposits	\$ 71,481	\$ 26,277	\$ 97,758
Receivables, net	18,706	58,866	77,572
Due from other governmental agencies	4,111	-	4,111
Internal balances	166,518	(166,518)	-
Prepaid expense	-	3,072	3,072
Restricted assets:			
Interest bearing deposits	-	46,776	46,776
Capital assets:			
Non-depreciable	92,159	-	92,159
Depreciable, net	<u>386,367</u>	<u>2,739,303</u>	<u>3,125,670</u>
Total assets	<u>739,342</u>	<u>2,707,776</u>	<u>3,447,118</u>
LIABILITIES			
Accounts and other payables	350,572	2,005	352,577
Accrued interest payable	1,617	-	1,617
Customers' deposits	-	24,452	24,452
Long-term liabilities:			
Due within one year	28,560	42,296	70,856
Due in more than one year	<u>153,739</u>	<u>1,094,929</u>	<u>1,248,668</u>
Total liabilities	<u>534,488</u>	<u>1,163,682</u>	<u>1,698,170</u>
NET POSITION			
Net investment in capital assets	296,227	1,602,078	1,898,305
Restricted for tax dedications	33,482	-	33,482
Restricted for debt service	-	42,296	42,296
Unrestricted	<u>(124,855)</u>	<u>(100,280)</u>	<u>(225,135)</u>
Total net position	<u>\$ 204,854</u>	<u>\$ 1,544,094</u>	<u>\$ 1,748,948</u>

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

TOWN OF MELVILLE, LOUISIANA

Statement of Activities
For the Year Ended September 30, 2020

Activities	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
General government	\$ 440,266	\$ 26,033	\$ 30,000	\$ (384,233)	\$ -	\$ (384,233)
Public safety	42,550	5,033	-	(37,517)	-	(37,517)
Public works	20,448	25,680	-	5,232	-	5,232
Culture and recreation	1,475	8,356	-	6,881	-	6,881
Interest on long-term debt	8,229	-	-	(8,229)	-	(8,229)
Total governmental activities	<u>512,968</u>	<u>65,102</u>	<u>30,000</u>	<u>(417,866)</u>	<u>-</u>	<u>(417,866)</u>
Business-type activities:						
Administration	164,520	-	-	-	(164,520)	(164,520)
Gas	36,831	103,814	-	-	66,983	66,983
Water	38,927	176,370	-	-	137,443	137,443
Sewer	92,606	133,061	-	-	40,455	40,455
Interest on long-term debt	52,573	-	-	-	(52,573)	(52,573)
Total business-type activities	<u>385,457</u>	<u>413,245</u>	<u>-</u>	<u>-</u>	<u>27,788</u>	<u>27,788</u>
Total	<u>\$ 898,425</u>	<u>\$ 478,347</u>	<u>\$ 30,000</u>	<u>(417,866)</u>	<u>27,788</u>	<u>(390,078)</u>

(continued)

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

TOWN OF MELVILLE, LOUISIANA

Statement of Activities (Continued)
For the Year Ended September 30, 2020

General revenues:			
Taxes -			
Property taxes, levied for general purposes	10,246	-	10,246
Sales and use taxes, levied for general purposes	141,407	-	141,407
Franchise taxes	69,826	-	69,826
Beer taxes	1,029	-	1,029
Other	4,696	-	4,696
Occupational licenses and permits	29,820	-	29,820
Fire insurance premium	8,504	-	8,504
Interest and investment earnings	170	35	205
Miscellaneous	42,935	15,268	58,203
Transfers	<u>136,137</u>	<u>(136,137)</u>	<u>-</u>
Total general revenues and transfers	<u>444,770</u>	<u>(120,834)</u>	<u>323,936</u>
Change in net position	26,904	(93,046)	(66,142)
Net position - beginning, restated	<u>177,950</u>	<u>1,637,140</u>	<u>1,815,090</u>
Net position - ending	<u>\$ 204,854</u>	<u>\$ 1,544,094</u>	<u>\$ 1,748,948</u>

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

FUND FINANCIAL STATEMENTS (FFS)

TOWN OF MELVILLE, LOUISIANA

Balance Sheet
Governmental Funds
September 30, 2020

	<u>General</u>	<u>Sales Tax Special Revenue</u>	<u>Total</u>
ASSETS			
Cash and interest-bearing deposits	\$ 56,705	\$ 14,776	\$ 71,481
Receivables, net	-	18,706	18,706
Due from other funds	166,518	-	166,518
Due from other governmental units	<u>4,111</u>	<u>-</u>	<u>4,111</u>
Total assets	<u>\$ 227,334</u>	<u>\$ 33,482</u>	<u>\$ 260,816</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 204,391	\$ -	\$ 204,391
Accrued expenses	144,931	-	144,931
Other liabilities	<u>1,250</u>	<u>-</u>	<u>1,250</u>
Total liabilities	<u>350,572</u>	<u>-</u>	<u>350,572</u>
Fund balances:			
Restricted - tax dedication	-	33,482	33,482
Unassigned	<u>(123,238)</u>	<u>-</u>	<u>(123,238)</u>
Total fund balances	<u>(123,238)</u>	<u>33,482</u>	<u>(89,756)</u>
Total liabilities and fund balances	<u>\$ 227,334</u>	<u>\$ 33,482</u>	<u>\$ 260,816</u>

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

TOWN OF MELVILLE, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2020

Total fund balances for governmental funds		\$ (89,756)	
Capital assets, net			478,526
Long-term liabilities:			
Accrued interest	\$ (1,617)		
Bonds payable	<u>(182,299)</u>		<u>(183,916)</u>
Total net position of governmental activities		\$ <u>204,854</u>	

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

TOWN OF MELVILLE, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances -
 Governmental Funds
 For the Year Ended September 30, 2020

	<u>General</u>	<u>Sales Tax Special Revenue</u>	<u>Total</u>
Revenues:			
Taxes	\$ 85,797	\$ 141,407	\$ 227,204
Licenses and permits	29,820	-	29,820
Intergovernmental	62,680	-	62,680
Charges for services	35,893	-	35,893
Fines and forfeitures	5,033	-	5,033
Interest	151	19	170
Other	42,935	-	42,935
Total revenues	<u>262,309</u>	<u>141,426</u>	<u>403,735</u>
Expenditures:			
Current -			
General government	420,345	6,047	426,392
Public safety	21,074	-	21,074
Public works	14,643	-	14,643
Culture and recreation	1,475	-	1,475
Debt service:			
Principal	27,651	-	27,651
Interest	6,612	-	6,612
Total expenditures	<u>491,800</u>	<u>6,047</u>	<u>497,847</u>
(Deficiency) excess of revenues over expenditures	<u>(229,491)</u>	<u>135,379</u>	<u>(94,112)</u>
Other financing sources (uses):			
Transfers in	430,713	-	430,713
Transfers out	<u>(192,565)</u>	<u>(102,011)</u>	<u>(294,576)</u>
Total other financing sources (uses)	<u>238,148</u>	<u>(102,011)</u>	<u>136,137</u>
Net changes in fund balances	8,657	33,368	42,025
Fund balances, beginning, restated	<u>(131,895)</u>	<u>114</u>	<u>(131,781)</u>
Fund balances, ending	<u>\$ (123,238)</u>	<u>\$ 33,482</u>	<u>\$ (89,756)</u>

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

TOWN OF MELVILLE, LOUISIANA

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended September 30, 2020

Total net changes in fund balances per statement of revenues, expenditures and changes in fund balances		\$ 42,025
Capital assets:		
Depreciation expense		(46,111)
Long-term debt:		
Principal payments	\$ 27,651	
Change in compensated absences payable	<u>4,956</u>	32,607
Increase in accrued interest payable		<u>(1,617)</u>
Total changes in net position per statement of activities		<u>\$ 26,904</u>

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

TOWN OF MELVILLE, LOUISIANA

Proprietary Fund
Statement of Net Position
September 30, 2020

ASSETS

Current assets:	
Cash and cash equivalents	\$ 26,277
Accounts receivable, net	20,427
Unbilled utility receivables	38,439
Prepaid expense	<u>3,072</u>
Total current assets	<u>88,215</u>
Noncurrent assets:	
Restricted assets -	
Interest-bearing deposits	46,776
Capital assets, net of accumulated depreciation	<u>2,739,303</u>
Total noncurrent assets	<u>2,786,079</u>
Total assets	<u>2,874,294</u>

LIABILITIES

Current liabilities:	
Accounts payable	2,005
Due to other funds	166,518
Current portion of long term debt	<u>42,296</u>
Total current liabilities	<u>210,819</u>
Noncurrent liabilities:	
Customers' deposits	24,452
Bonds payable	<u>1,094,929</u>
Total noncurrent liabilities	<u>1,119,381</u>
Total liabilities	<u>1,330,200</u>

NET POSITION

Net investment in capital assets	1,602,078
Restricted for debt service	42,296
Unrestricted	<u>(100,280)</u>
Total net position	<u>\$1,544,094</u>

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

TOWN OF MELVILLE, LOUISIANA

Proprietary Fund
 Statement of Revenues, Expenses, and Changes in Fund Net Position
 Year Ended September 30, 2020

Operating revenues:	
Charges for services	\$ 413,245
Miscellaneous	<u>15,268</u>
Total operating revenues	<u>428,513</u>
Operating expenses:	
Administrative expenses	164,520
Gas department expenses	36,831
Water department expenses	38,927
Sewerage department expenses	<u>92,606</u>
Total operating expenses	<u>332,884</u>
Operating income	<u>95,629</u>
Nonoperating revenues (expenses):	
Interest income	35
Interest expense	<u>(52,573)</u>
Total nonoperating revenues (expenses)	<u>(52,538)</u>
Income before transfers	43,091
Transfers in	204,296
Transfers out	<u>(340,433)</u>
Change in net position	(93,046)
Net position, beginning	<u>1,637,140</u>
Net position, ending	<u>\$1,544,094</u>

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

TOWN OF MELVILLE, LOUISIANA

Statement of Cash Flows
Proprietary Fund
Year Ended September 30, 2020

Cash flows from operating activities:	
Receipts from customers	\$ 347,146
Payments to suppliers	(131,707)
Payments to employees	(51,045)
Other receipts	<u>15,268</u>
Net cash provided by operating activities	<u>179,662</u>
Cash flows from noncapital financing activities:	
Cash received from other funds	89,616
Transfers from other funds	204,296
Transfers to other funds	<u>(340,433)</u>
Net cash used by noncapital financing activities	<u>(46,521)</u>
Cash flows from capital and related financing activities:	
Principal paid on bonds payable	(37,044)
Interest and fiscal charges paid on capital lease payable	<u>(52,572)</u>
Net cash used by capital and related financing activities	<u>(89,616)</u>
Cash flows from investing activities:	
Interest on investments	<u>35</u>
Net change in cash and cash equivalents	43,560
Cash and cash equivalents, beginning of period	<u>29,493</u>
Cash and cash equivalents, end of period	<u>\$ 73,053</u>

(continued)

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

TOWN OF MELVILLE, LOUISIANA

Statement of Cash Flows
Proprietary Fund (continued)
For the Year Ended September 30, 2020

Cash flows from operating activities:	
Operating income	\$ 95,629
Adjustments to reconcile operating income to net cash provided by operating activities -	
Depreciation	150,132
(Increase) decrease in operating assets -	
Unbilled utilities receivable	(38,439)
Increase (decrease) in operating liabilities -	
Customer deposits	<u>(27,660)</u>
Net cash provided by operating activities	<u>\$ 179,662</u>
Cash and cash equivalents, end of period:	
Current	\$ 26,277
Restricted	<u>46,776</u>
	<u>\$ 73,053</u>

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

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

The Town of Melville was incorporated under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Aldermen form of government. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but 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. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be 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. The Town of Melville has no such component units.

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The statement of net position and statement of activities display information about the Town of Melville, the primary government, as a whole. They include all funds of the reporting entity, except fiduciary funds and component units that are fiduciary in nature. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements

Fund Financial Statements

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

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

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

The major funds of the Town are described below:

Governmental Funds –

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

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

The Sales Tax Fund is the Town's major special revenue fund. The 1.2 percent sales and use tax is dedicated to the following purposes: constructing, improving, and maintaining public streets and bridges within the Town and maintaining and operating sewers and sewerage disposal facilities of the Town.

Enterprise Fund –

Utility Fund

The Utility Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements

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. The Town applies all applicable principles under the Governmental Accounting Standards Board (GASB) in accounting and reporting for its enterprise fund.

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

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

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

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

Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements

collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

Program revenues

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the Town's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Town's general revenues.

Allocation of indirect expenses

The Town reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions, but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Equity

Cash and interest-bearing deposits

For purposes of the Statement of Net Position, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposits of the Town. For the purpose of the proprietary fund statement of cash flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less when purchased.

Interfund receivables and payables

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

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales and use taxes, and franchise fees. Business-type activities report customer's utility service receivables as their major receivables. Uncollectible utility service receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. At September 30, 2020, an allowance for uncollectibles for customers' utility receivables was \$3,605. Unbilled utility service receivables resulting from utility services rendered between the date of meter reading and billing and the end of the month, are recorded at year-end.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2020, are recorded as prepaid items.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide or financial statements. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town maintains a threshold level of \$500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Prior to January 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. Land and construction in progress are not depreciated. The range of estimated useful lives by type of asset is as follows:

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

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

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. Vacation and sick leave are recorded as expenditures of the period in which paid. Each full-time, permanent employee earns five days of sick leave per year up to a maximum of thirty days for major illness. Employees who resign or retire or who are dismissed from employment shall not be paid for any accrued sick leave. No accrual is recorded for this as the amount is determined to be immaterial.

Restricted Assets

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

Long-term debt

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements

Equity Classifications

In the government-wide statements, net position is displayed in three components:

- a. Net investment in capital assets – Consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
- b. Restricted net position – Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be placed on the use, either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

In the fund statements, governmental fund equity is classified as fund balance as follows. Proprietary fund equity is classified the same as in the government-wide statements.

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Town's Mayor and Board of Aldermen, which is the highest level of decision-making authority for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by board members.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Town's adopted policy, only Mayor and Board of Alderman may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements

Restricted fund balances are composed of the following:

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

E. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

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

Expenditures/Expenses

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

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

- Governmental Funds - By Character
- Proprietary Fund - By Operating and Non-operating

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

Interfund Transfers

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

F. Revenue Restrictions

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

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales tax	See Note 4

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

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements

G. Use of Estimates

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

(2) Cash and Interest-Bearing Deposits

Under state law, the Town may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Town may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

These deposits are stated at cost, which approximates market. Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Town's deposits may not be recovered or will not be able to recover the collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk; however, 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 pledging financial institution. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the financial institution. These securities are held in the name of the pledging financial institution in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances), are secured as follows:

Bank balances	\$ <u>143,352</u>
Deposits are secured as follows:	
Insured Deposits	\$ <u>143,352</u>

(3) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October and are due by December 31. The Town bills and collects its own property taxes using the assessed values determined by the Tax Assessor of St. Landry Parish. Property tax revenues are recognized when levied to the extent that they result in current receivables.

(4) Dedication of Proceeds and Flow of Funds - Sales and Use Tax

Proceeds of a 1.2 percent sales and use tax approved by voters of the Town on November 18, 1989 and levied by the Town for a period of twenty years from the date of the first levy of the tax; and renewed on October 17, 2009 for a period of twenty years and is dedicated to the following purposes:

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

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements

(5) Receivables

Receivables consist of the following:

	<u>Sales Tax</u>	<u>Utility</u>	<u>Total</u>
Accounts	\$ -	\$ 20,427	\$ 20,427
Unbilled utility	-	38,439	38,439
Taxes	<u>18,706</u>	<u>-</u>	<u>18,706</u>
Totals	<u>\$18,706</u>	<u>\$ 58,866</u>	<u>\$ 77,572</u>

The aging of the accounts receivable in the enterprise fund is as follows:

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

(6) Restricted Assets - Proprietary Fund Type (Enterprise Utility Fund)

Restricted assets consisted of the following:

Customer deposits	\$ 13,089
Sewer bond reserve	5,246
USDA Water Construction	<u>28,441</u>
Total restrict assets	<u>\$ 46,776</u>

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements

(7) Capital Assets

Capital asset activity for the year was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 92,159	\$ -	\$ -	\$ 92,159
Capital assets being depreciated:				
Buildings	704,741	-	-	704,741
Infrastructure	115,878	-	-	115,878
Equipment, furniture and fixtures	817,932	-	-	817,932
Total capital assets being depreciated	1,638,551	-	-	1,638,551
Less accumulated depreciation				
Buildings	472,375	18,482	-	490,857
Infrastructure	55,926	5,728	-	61,654
Equipment, furniture and fixtures	677,772	21,901	-	699,673
Total accumulated depreciation	1,206,073	46,111	-	1,252,184
Total capital assets being depreciated, net	432,478	(46,111)	-	386,367
Governmental activities, capital assets, net	\$ 524,637	\$ (46,111)	\$ -	\$ 478,526
Business-type activities:				
Capital assets being depreciated				
Gas system	\$ 1,388,462	\$ -	\$ -	\$ 1,388,462
Water system	1,619,141	-	-	1,619,141
Sewer system	4,481,625	-	-	4,481,625
Totals	7,489,228	-	-	7,489,228
Less accumulated depreciation				
Gas system	1,292,860	18,599	-	1,311,459
Water system	1,071,750	38,927	-	1,110,677
Sewer system	2,235,182	92,607	-	2,327,789
Total accumulated depreciation	4,599,792	150,133	-	4,749,925
Business-type activities, capital assets, net	\$ 2,889,436	\$ (150,133)	\$ -	\$ 2,739,303

Depreciation expense was charged to governmental activities as follows:

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements

General government	\$ 18,830
Public safety	21,476
Public works	<u>5,805</u>
Total depreciation expense	<u>\$ 46,111</u>

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

Gas	\$ 18,599
Water	38,927
Sewer	<u>92,607</u>
Total depreciation expense	<u>\$150,133</u>

(8) Accounts, Salaries, and Other Payables

The accounts, salaries, and other payables consisted of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts	\$ 204,391	\$ 2,005	\$ 206,396
Other liabilities	<u>146,181</u>	<u>-</u>	<u>146,181</u>
Totals	<u>\$ 350,572</u>	<u>\$ 2,005</u>	<u>\$ 352,577</u>

(9) Long-Term Liabilities

Long-term liabilities at September 30, 2020 are comprised of the following:

Governmental activities –

Loan payable to KS State Bank, dated March 15, 2015, original amount of \$198,170, due in annual installments of \$12,457 through March 15, 2025; bearing interest of 4.572%. Secured by 2012 HME International Commerical Pumper Fire Truck.

\$ 100,299

\$90,000 Limited Tax Bonds, Series 2018, issued September 1, 2019, due in annual payments of \$8,000-\$10,000 through September 1, 2029, interest at 3% due in semi-annually payments on March 1 and September 1.

82,000

Total long-term debt, governmental activities

\$ 182,299

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements

Business-type activities –

\$1,198,000 Sewer Revenue Bond dated March 2011, due in monthly installments of \$5,247 through March 28, 2051; interest at 4.25 percent, secured by system revenue and a 1.2 percent sales and use tax \$ 1,075,142

\$442,000 Municipal Sewer System bonds dated 7/25/83, due in monthly installments of \$2,221 through 2/25/23; interest at 5.0 percent percent, secured by sewer system revenues. 62,083

Total long-term debt, business-type activities \$ 1,137,225

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Loan Payable -					
KS State Bank	\$ 119,950	\$ -	\$ 19,651	\$ 100,299	\$ 20,560
Bonds Payable -					
Limited Tax Bonds,					
Series 2018	<u>90,000</u>	<u>-</u>	<u>8,000</u>	<u>82,000</u>	<u>8,000</u>
Total governmental					
activities	<u>\$ 209,950</u>	<u>\$ -</u>	<u>\$ 27,651</u>	<u>\$ 182,299</u>	<u>\$ 28,560</u>
Business-type activities:					
Bonds Payable -					
Sewer Revenue					
Bonds, Series 2011	\$1,090,758	\$ -	\$ 15,616	\$1,075,142	\$ 17,617
Municipal Sewer					
System Revenue					
Bonds	<u>83,511</u>	<u>-</u>	<u>21,428</u>	<u>62,083</u>	<u>24,679</u>
Total business-type					
activities	<u>\$1,174,269</u>	<u>\$ -</u>	<u>\$ 37,044</u>	<u>\$1,137,225</u>	<u>\$ 42,296</u>

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements

The annual requirement to amortize all debt outstanding is as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities		Total
	Principal payments	Interest payments	Principal payments	Interest payments	
2021	\$ 28,560	\$ 6,694	\$ 42,296	\$ 47,772	\$ 125,322
2022	29,510	5,503	43,848	45,769	124,630
2023	31,505	4,253	31,229	43,867	110,854
2024	32,546	2,943	20,070	42,897	98,456
2025	21,178	1,583	20,939	42,028	85,728
2026 to 2030	39,000	2,385	119,121	195,713	356,219
2031 to 2035	-	-	147,270	167,565	314,835
2036 to 2040	-	-	182,070	132,765	314,835
2041 to 2045	-	-	225,093	89,741	314,834
2046 to 2050	-	-	278,283	36,551	314,834
2051 to 2055	-	-	27,006	271	27,277
Totals	<u>\$ 182,299</u>	<u>\$ 23,361</u>	<u>\$ 1,137,225</u>	<u>\$ 844,939</u>	<u>\$ 2,187,824</u>

(10) Flow of Funds; Restriction on Use – Utilities Revenues

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

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

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

The Town of Melville was not in compliance with terms relating to its Sinking Fund bond agreements for the fiscal year ended September 30, 2020.

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

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

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements

The Town of Melville was not in compliance with funding its Sewerage Short-Lived Assets Depreciation Fund bond agreements for the fiscal year ended September 30, 2020.

(11) Natural Gas Contract

Under a contract renewed annually, the Town of Melville purchases its natural gas from Louisiana Municipal Gas Authority (LMGA). During the fiscal year ended September 30, 2020, the Town's natural gas purchases amounted to \$18,232.

(12) Risk Management

The Town is exposed to risks of loss in the areas of health care, general and auto liability, property hazards, workers' compensation and employee dishonesty. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the year. The government has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

(13) Fund Balance Deficit

The Town's General Fund had a deficit fund balance at September 30, 2020 of (\$123,238). This deficit will be financed through future revenues of the fund.

(14) Litigation and Claims

At September 30, 2020, there is no pending litigation against the Town of Melville.

(15) Interfund Transactions

A. Receivables and payables

A summary of interfund receivables and payables of the Town follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 166,518	\$ -
Enterprise Fund	<u>-</u>	<u>166,518</u>
Total	<u>\$ 166,518</u>	<u>\$ 166,518</u>

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements

B. Transfers

Transfers consisted of the following:

	Transfers In	Transfers Out
General Fund	\$ 430,713	\$ 192,565
Sales Tax Fund	-	102,011
Enterprise Fund	<u>204,296</u>	<u>340,433</u>
Total	<u>\$ 635,009</u>	<u>\$ 635,009</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

(16) Retirement Commitments

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

(17) Going Concern and Plan of Action

During the fiscal year ended September 30, 2020, the Town had a payroll tax liability due to the Internal Revenue Service; large outstanding accounts payable; inability to comply with the bond requirements with regards to the sinking and reserve fund, and sewerage contingency fund. As a result, substantial doubt has been indicated about the ability of the Town to continue as a going concern.

As of September 30, 2020, the Town is in the process of complying to the bond covenant, commitment to monthly settlement for the tax liability. The Town is exploring additional sources of revenues to meet its obligations. The Town is working closely with its CPA consultant to get a handle on its financial situation and discussing the possibility of having a fiscal agent come in and take over to help get the Town back in good financial standing.

TOWN OF MELVILLE, LOUISIANA

Notes to Basic Financial Statements

(18) Prior Period Adjustments

During prior years, there were several outstanding items on the bank reconciliations which were determined to be duplicated transactions and not outstanding items. These transactions resulted in a restatement of previously reported net position/fund balances as follows:

	<u>Governmental Activities</u>	<u>Governmental Funds Fund Balances</u>	
	<u>Net Position</u>	<u>General Fund</u>	<u>Sales Tax Fund</u>
Net position, September 30, 2019, as previously reported	\$ 261,439	\$ (54,341)	\$ 6,049
Prior period adjustments:			
Adjustments for old outstanding bank reconciliation items	<u>(83,489)</u>	<u>(77,554)</u>	<u>(5,935)</u>
Net position, September 30, 2019, restated	<u>\$ 177,950</u>	<u>\$ (131,895)</u>	<u>\$ 114</u>

**REQUIRED
SUPPLEMENTARY INFORMATION**

TOWN OF MELVILLE, LOUISIANA
General Fund

Budgetary Comparison Schedule
Year Ended September 30, 2020

	Budget		Actual	Variance -
	Original	Final		Positive (Negative)
Revenues:				
Taxes	\$ 90,017	\$ 90,017	\$ 85,797	\$ (4,220)
Licenses and permits	5,686	5,686	29,820	24,134
Intergovernmental	53,965	53,965	62,680	8,715
Charges for services	43,590	43,590	35,893	(7,697)
Fines and forfeitures	-	-	5,033	5,033
Interest	-	-	151	151
Other	27,306	27,306	42,935	15,629
Total revenues	<u>220,564</u>	<u>220,564</u>	<u>262,309</u>	<u>41,745</u>
Expenditures:				
Current -				
General government	294,766	294,766	420,345	(125,579)
Public safety	157,378	157,378	21,074	136,304
Public works	150,213	150,213	14,643	135,570
Culture and recreation	2,891	2,891	1,475	1,416
Debt service:				
Principal	-	-	27,651	(27,651)
Interest	-	-	6,612	(6,612)
Total expenditures	<u>605,248</u>	<u>605,248</u>	<u>491,800</u>	<u>113,448</u>
Deficiency of revenues over expenditures	<u>(384,684)</u>	<u>(384,684)</u>	<u>(229,491)</u>	<u>155,193</u>
Other financing sources (uses):				
Transfers in	385,000	385,000	430,713	45,713
Transfers out	-	-	(192,565)	(192,565)
Total other financing sources (uses)	<u>385,000</u>	<u>385,000</u>	<u>238,148</u>	<u>(146,852)</u>
Net change in fund balance	316	316	8,657	8,341
Fund balance, beginning	<u>(131,895)</u>	<u>(131,895)</u>	<u>(131,895)</u>	<u>-</u>
Fund balance, ending	<u>\$ (131,579)</u>	<u>\$ (131,579)</u>	<u>\$ (123,238)</u>	<u>\$ 8,341</u>

TOWN OF MELVILLE, LOUISIANA
Sales Tax Special Revenue Fund

Budgetary Comparison Schedule
Year Ended September 30, 2020

	Budget		Actual	Variance - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 148,714	\$ 148,714	\$ 141,407	\$ (7,307)
Interest	<u>6</u>	<u>6</u>	<u>19</u>	<u>13</u>
Total revenue	148,720	148,720	141,426	(7,294)
Expenditures:				
Current -				
General government	<u>3,010</u>	<u>3,010</u>	<u>6,047</u>	<u>(3,037)</u>
Excess of revenues over expenditures	145,710	145,710	135,379	(10,331)
Other financing sources (uses):				
Transfers out	<u>(145,000)</u>	<u>(145,000)</u>	<u>(102,011)</u>	<u>42,989</u>
Net change in fund balance	710	710	33,368	32,658
Fund balance, beginning	<u>114</u>	<u>114</u>	<u>114</u>	<u>-</u>
Fund balance, ending	<u>\$ 824</u>	<u>\$ 824</u>	<u>\$ 33,482</u>	<u>\$ 32,658</u>

TOWN OF MELVILLE, LOUISIANA

Notes to Budgetary Comparison Schedule

(1) Budgets and Budgetary Accounting

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

- (a) The Town Clerk prepares a proposed operating budget for the fiscal year and submits it to the Mayor and Board of Aldermen not later than fifteen days prior to the beginning of each fiscal year.
- (b) 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.
- (c) A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
- (d) 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 a resolution prior to the commencement of the fiscal year for which the budget is being adopted.
- (e) 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.
- (f) All budgetary appropriations lapse at the end of each fiscal year.
- (g) Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as finally amended by the Board of Aldermen.

At September 30, 2020, the Sales Tax Special Revenue Fund reported excess expenditures over appropriations.

THIS PAGE INTENTIONALLY LEFT BLANK

OTHER SUPPLEMENTARY INFORMATION

TOWN OF MELVILLE, LOUISIANA

Schedule of Compensation, Benefits, and Other Payments to Agency Head
Velma Hendricks, Mayor
For the Year Ended September 30, 2020

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 6,350
Car allowance	<u>4,800</u>
	<u>\$ 11,150</u>

TOWN OF MELVILLE, LOUISIANA

Schedule of Compensation
Board of Alderman
For the Year Ended September 30, 2020

<u>Board Member</u>	<u>Term of office</u>	<u>Compensation</u>
April Butler	2019-2022	\$ 1,400
Linda Haynes	2019-2022	1,400
Jayne Johnson	2019-2022	1,400
Natasha Oliney	2019-2022	1,400
Theardis Tieuel Jr	2019-2022	1,400
		<u>\$ 7,000</u>

TOWN OF MELVILLE, LOUISIANA
Enterprise Fund
Utility Fund

Schedule of Number of Utility Customers
September 30, 2020

Records maintained by the Town indicated the following number of customers were being serviced during the month of September 30, 2020:

Department	Residential	Commercial	Total
Gas	254	9	263
Water	425	19	444
Sewerage	365	18	383
Totals	1,044	46	1,090

Current Rates -

Water rates:

Residential	\$ 40	flat rate
Commercial	\$ 54	flat rate

Sewer fees:

Residential	\$ 28	flat rate
Commercial	\$ 50	flat rate

Gas fees:

Residential and commercial	\$ 5.75	base fee
Residential and commercial	\$ 1.70	additional for each CCF

TOWN OF MELVILLE, LOUISIANA

Schedule of Insurance in Force
Year Ended September 30, 2020

<u>Insurer</u>	<u>Assets Covered</u>	<u>Risks Covered</u>	<u>Limits of Coverage (in Dollars)</u>	<u>Expiration Date</u>
Louisiana Municipal Risk Management Association	General Liability	Bodily injury, Property damage	\$ 500,000	7/31/2020
	Police operations	General liability	\$ 1,000	7/31/2020
	Errors and omissions	General liability	\$ 1,000	7/31/2020
	Automobiles	Bodily injury, Property damage	\$ 1,000,000	7/31/2020
The Hanover Insurance Group	Commercial Property	Fire, Windstorm/Hail, Theft	\$ 7,000	11/21/2020
LWCC	Workers Comp	Bodily injury, Disease	\$ 500,000	1/25/2021

THIS PAGE INTENTIONALLY LEFT BLANK

**INTERNAL CONTROL, COMPLIANCE,
AND
OTHER MATTERS**

THIS PAGE INTENTIONALLY LEFT BLANK

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

Brad E. Kolder, CPA, JD*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Stephen J. Anderson, CPA*
Matthew E. Margaglio, CPA*
Casey L. Ardoin, CPA, CFE*
Wanda F. Arcement, CPA
Bryan K. Joubert, CPA
Nicholas Fowlkes, CPA

C. Burton Kolder, CPA*
Of Counsel

Victor R. Slaven, CPA* - retired 2020
Christine C. Doucet, CPA – retired 2022

* A Professional Accounting Corporation

183 S. Beadle Rd.
Lafayette, LA 70508
Phone (337) 232-4141

1428 Metro Dr.
Alexandria, LA 71301
Phone (318) 442-4421

200 S. Main St.
Abbeville, LA 70510
Phone (337) 893-7944

434 E. Main St.
Ville Platte, LA 70586
Phone (337) 363-2792

11929 Bricksome Ave.
Baton Rouge, LA 70816
Phone (225) 293-8300

450 E. Main St.
New Iberia, LA 70560
Phone (337) 367-9204

1201 David Dr.
Morgan City, LA 70380
Phone (985) 384-2020

332 W. Sixth Ave.
Oberlin, LA 70555
Phone (337) 639-4737

WWW.KCSRCPAS.COM

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 Velma Hendrix, Mayor
and members of the Board of Aldermen
Town of Melville, Louisiana

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Melville, Louisiana, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Melville, Louisiana's basic financial statements and have issued our report thereon dated September 28, 2022.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the

accompanying schedule of current and prior year audit findings and management's corrective action plan as items 2020-001 through 2020-003 and 2020-005 through 2020-006 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as item 2020-004 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Melville'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 instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as items 2020-007 through 2020-010.

Town of Melville's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying schedule of current and prior year audit findings and management's corrective action plan. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
September 28, 2022

TOWN OF MELVILLE, LOUISIANA

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended September 30, 2020

Part I: Current Year Findings and Management's Corrective Action Plan

A. Internal Control Over Financial Reporting

2020-001 Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: Unknown

CONDITION: The Town of Melville did not have adequate segregation of functions within the accounting system.

CRITERIA: AU-C §315.04, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, defines internal control as follows:

“Internal control is a process, affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.”

CAUSE: The cause of the condition is the fact that the Town does not have a sufficient number of staff performing administrative and financial duties so as to provide adequate segregation of accounting and financial duties.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Management should evaluate the cost vs. benefit of complete segregation and whenever possible, reassign incompatible duties among different employees to ensure that a single employee does not have a control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recording keeping; and (4) reconciliation.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Town has hired an Assistant Clerk to help with segregation of duties. Members of the governing board will also be utilized where considered necessary to have adequate separation.

TOWN OF MELVILLE, LOUISIANA

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
Year Ended September 30, 2020

2020-002 Accounting Policies and Financial Reporting

Fiscal year finding initially occurred: Unknown

CONDITION: The Town's lack of internal controls, policies and procedures, and accounting practices has contributed to a variety of problems, including documentation being unavailable, large overdue balances in accounts payable, finance charges and late fees for non-payment of accounts payable, and management's inability to properly evaluate financial decisions because of lack of timely and accurate information.

CRITERIA: Internal control is a process - effected by those charged with governance, management, and other personnel - designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The Town's internal controls over financial reporting include those policies and procedures that pertain to the Town's ability to record, process, summarize, and report financial data consistent with the assertions embodied in the financial statements. To foster accountability over financial reporting, the Town's accounting system should contain several elements, including readily available documentation, prompt payments of obligations when funds allow, proper classification of transactions, and the production of timely, relevant financial reports to management.

CAUSE: The Town's personnel require additional training and the Town's management must commit to providing policies and procedures and a proper control environment.

EFFECT: The Town has experienced a significant financial decline, in part due to lack of internal controls, policies and procedures, and oversight.

RECOMMENDATION: The Town should implement monitoring activities to ensure that financial reporting is properly performed. We also recommend that the Town's personnel undergo additional training, and special attention is paid to reconciling account balances.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Town financial will be implementing monitoring and training activities to ensure that financial reporting is properly performed.

TOWN OF MELVILLE, LOUISIANA

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
Year Ended September 30, 2020

2020-003 Inadequate documentation and/or lack of supporting documentation

Fiscal year finding initially occurred: Unknown

CONDITION: During test of disbursements, it was noted that there is not sufficient support for many of the Town's expenditures.

CRITERIA: Good controls require that appropriate documentation to support all payments is maintained, more than one person is involved in the disbursement process, and bills are paid on a timely basis to avoid penalties and interest. In addition, written policies and procedures are necessary to provide a clear understanding of what is sufficient appropriate support for business related expenditures and a clear understanding that all documentation must support and clearly state the business purpose and public benefit of the expenditures.

CAUSE: The Town of Melville has not properly documented policies and procedures that should be followed regarding expenditures.

EFFECT: Failure to have effective internal controls and written policies and procedures increases the risk of not having continuity of operations and the risk that errors and/or irregularities including fraud and /or defalcations may occur and not be prevented and/or detected. In addition, expenditures which are not supported by sufficient documentation, may appear unreasonable and a gratuitous alienation of public funds under Article VII, Section 14 of the 1974 Louisiana Constitution.

RECOMMENDATION: Management needs to set written policies and procedures to address all expenditures and to provide a clear understanding of what is sufficient appropriate support.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Written policies and procedures will be implemented to address maintaining appropriate documentation to support expenditures.

TOWN OF MELVILLE, LOUISIANA

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
Year Ended September 30, 2020

2020-004

Capital Asset Management

Fiscal year finding initially occurred: Unknown

CONDITION: Policies and procedures are needed to ensure monitoring and tagging of all Town assets.

CRITERIA: Louisiana Revised Statute 24:515 requires the Town to maintain a comprehensive listing of all capital assets.

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

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

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

MANAGEMENT'S CORRECTIVE ACTION PLAN: Management to work with Town departments to establish process to maintain record of Capital Assets. Property Manager to be determined. Currently, there are no construction projects.

2020-005

Failure to remit payroll taxes timely

Fiscal year finding initially occurred: Unknown

CONDITION: The Town does not have adequate controls to ensure all payroll taxes were remitted to the appropriate agencies by the prescribed deadlines. The Town has large outstanding balances of taxes due from previous years.

CRITERIA: The Town should have controls over their payroll process to ensure that payroll taxes are remitted timely.

TOWN OF MELVILLE, LOUISIANA

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
Year Ended September 30, 2020

CAUSE: The Town did not have adequate procedures in place to ensure that payroll tax deposits were remitted timely.

EFFECT: The Town did not remit payroll tax deposits timely during the current fiscal year and several past fiscal years resulting in large past due balances and penalties and late charges.

RECOMMENDATION: The Town should establish policies and procedures to ensure all payroll tax deposits are remitted to the appropriate agencies by the prescribed deadline.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Payroll tax deposits are now remitted electronically by Town Accountant.

2020-006

Customer Deposits Subsidiary Ledger

Fiscal year finding initially occurred: 2019

CONDITION: The Town is not maintaining an accurate subsidiary ledger for customer deposits and the subsidiary ledger is not being reconciled to the cash account balance. The Town failed to restrict/reserve sufficient assets to cover liabilities relating to customer deposit fees. The Town records reflect a liability relating to customer deposits in the amount of \$24,452. The amount restricted for deposits at fiscal year end was \$13,089. The actual liability based on the number of customers per billing registers should be around \$74,050.

CRITERIA: SAS109, Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement, AU§314.43 defines internal control as follows:

"Internal control is a process, affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations."

Additionally, Statements on Standards for Attestation Engagements (SSAE) AT§501.03 states:

"An entity's internal control over financial reporting includes those policies and procedures that pertain to an entity's ability to record, process, summarize, and report financial data consistent with the assertions embodied in either annual financial statements or interim financial statements, or both."

CAUSE: The Town is not reconciling the customer deposit subsidiary ledger to the cash account. In addition, the Town has used monies to pay outstanding tax liabilities owed to the IRS.

TOWN OF MELVILLE, LOUISIANA

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
Year Ended September 30, 2020

EFFECT: Failure to reconcile the customer deposit subsidiary ledger to the cash account could result in cash missing and customers not receiving proper credit for their deposits.

RECOMMENDATION: The subsidiary ledger should be updated to account for all deposits received from customers and should be reconciled to the cash account on a monthly basis.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Customer water/gas deposits will be printed and reconciled monthly.

B. Compliance

2020-007

Donated Funds

Fiscal year finding initially occurred: 2020

CONDITION: The Town may have violated state law in relation to the donation of public funds as the Town has several old outstanding customer accounts receivables, of which two accounts are for two board members.

CRITERIA: Article 7 Section 14(A) of the Louisiana Constitution states that "the funds, credit, property, or things of value of the state or any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private." In addition, La. R.S. 42:1461(A) states that, "Officials, whether elected or appointed and whether compensated or not, and employees of any 'public entity,' which, for purposes of this section shall mean and include any department, division, office, board, agency, commission, or other organizational unit of any of the three branches of state government or of any parish, municipality, school board or district, court of limited jurisdiction, or any other political subdivision or district, or the office of any sheriff, district attorney, coroner, or clerk of court, by the act of accepting such office or employment assume a personal obligation not to misappropriate, misapply, convert, misuse, or otherwise wrongfully take any funds, property or other thing of value belonging to or under the custody or control of the public entity in which they hold office or are employed."

CAUSE: The Town is allowing customers and board members the use of public utilities without payment.

EFFECT: The Town may have violated state law regarding donation of public funds.

RECOMMENDATION: The Town should take steps to collect all long outstanding customer accounts including cutting off service until the account is

TOWN OF MELVILLE, LOUISIANA

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
Year Ended September 30, 2020

current and paid in full and using a collection agency for customers that no longer live in the Town.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Town is in the process to collect aged accounts and has submitted old disconnected accounts to LAMATS for collection. Town will update LAMATS list.

2020-008

Failure to maintain minute book

Fiscal year finding initially occurred: 2019

CONDITION: The Town failed to maintain minutes of Town meetings. Minutes of Town meetings were only available for December 2019 through August 2020.

CRITERIA: Louisiana Revised Statutes 42:20 requires the Town to maintain written minutes of all of the Town's open meetings and should be public records and made available within a reasonable time after the meeting.

CAUSE: There was no oversight or policies and procedures in place on documenting and maintaining an updated and current minute book of the Town board meetings.

EFFECT: The Town was in violation of Louisiana Revised Statutes 42:20 and minutes were not made available to the public within a reasonable time after the meeting.

RECOMMENDATION: Management should ensure that written minutes are maintained and current for all Town board meetings.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Written minutes are now being maintained and kept current for all Town board meetings.

2020-009

Debt Covenants and USDA requirements

Fiscal year finding initially occurred: Unknown

CONDITION: The Town did not comply with its debt covenants by failing to deposit \$635 and \$884 per month into the reserve account and the contingency and depreciation accounts, respectively. In addition, the Town's financials do not report the assets, liabilities, revenues and expenses separated by utility system as per USDA requirements.

CRITERIA: The Town is subject to debt covenants, in accordance with its previously issued sewer revenue bonds. In addition, USDA is requiring that assets, liabilities, revenues, and expenses are separated by utility system.

TOWN OF MELVILLE, LOUISIANA

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
Year Ended September 30, 2020

CAUSE: The Town has failed to make the required monthly transfers due to cash flow deficiencies. In addition, management is not adequately allocating expenses to the proper utility systems to meet requirements of reporting by USDA.

EFFECT: The Town was not in compliance with its debt covenants during the year and the Town's books do not completely separate assets, liabilities, and expenses by utility per USDA requirements.

RECOMMENDATIONS: The needs to implement proper internal controls and policies and procedures to ensure that the Town can meet its debt covenant obligations and reporting obligations.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Corrective actions, financial and otherwise, are being implemented to ensure that the Town can meet its debt covenant obligations and reporting obligations.

2020-010

Late Issuance of Report

Fiscal year finding initially occurred: Unknown

CONDITION: The Town failed to submit its annual financial statements to the Legislative Auditors Office by the statutory due date.

CRITERIA LSA R.S 24:513 states that "audits shall be completed within six months of the close of the entity's fiscal year."

CAUSE: The overall condition of the Town's financial records prohibited the Town's CPA consultant from providing timely and accurate information to the Town's auditors.

EFFECT: The Town has violated state law by failing to submit the audit within six months of the close of the fiscal year.

RECOMMENDATION: The Town should take the necessary steps to ensure that all financial records are accurate and made available to the Town's auditors in a timely manner.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Town will take the necessary steps to ensure that all financial records are accurate and made available to the Town's auditors in a timely manner.

TOWN OF MELVILLE, LOUISIANA

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
Year Ended September 30, 2020

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2019-001 Improvement of Controls

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

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

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

CURRENT STATUS: Unresolved. See item 2020-003.

2019-002 Capital Asset Management

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

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

CURRENT STATUS: Unresolved. See item 2020-004.

TOWN OF MELVILLE, LOUISIANA

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
Year Ended September 30, 2020

B. Compliance

2019-003 Failure to timely file audit report

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

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

CURRENT STATUS: Unresolved. See item 2020-010.

2019-004 Improper Use of Public/Restricted Funds

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

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

CURRENT STATUS: Unresolved. See item 2020-006.

2019-005 Failure to Maintain Minute Book

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

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

CURRENT STATUS: Unresolved. See 2020-008.

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



Clerk
Thomas Jung
Assistant Clerk
Ashley Kilcrease
Police Chief
Anthony Moreau
Fire Chief
Cole Ponthieux

516 Church Street
P.O. Box 268
Melville, LA 71353
(337) 623-4226 Office
(337) 623-3620 Fax

Town of Melville, Louisiana respectfully submits the following corrective action plan for the findings for the year ended September 30, 2020.

Audit conducted by:
Kolder, Slaven & Company, LLC
200 South Main Street
Abbeville, LA 70510

Audit Period: Fiscal year ended September 30, 2020

The findings from the September 30, 2020 schedule of current and prior year audit findings and management's corrective action plan are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS -FINANCIAL AUDIT

Internal Control

Material Weaknesses -

2020-001 Inadequate Segregation of Accounting Functions

RECOMMENDATION: Management should evaluate the cost vs. benefit of complete segregation and whenever possible, reassign incompatible duties among different employees to ensure that a single employee does not have a control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recording keeping; and (4) reconciliation.

CORRECTIVE ACTION PLAN:

The Town has hired an Assistant Clerk to help with segregation of duties. Members of the governing board will also be utilized where considered necessary to have adequate separation.

"TOWN OF MELVILLE IS AN EQUAL OPPORTUNITY EMPLOYER"



2020-002 Accounting Policies and Financial Reporting

RECOMMENDATION: The Town should implement monitoring activities to ensure that financial reporting is properly performed. We also recommend that the Town's personnel undergo additional training, and special attention is paid to reconciling account balances.

CORRECTIVE ACTION PLAN:

The Town financial will be implementing monitoring and training activities to ensure that financial reporting is properly performed.

2020-003 Inadequate documentation and/or lack of supporting documentation

RECOMMENDATION: Management needs to set written policies and procedures to address all expenditures and to provide a clear understanding of what is sufficient appropriate support.

CORRECTIVE ACTION PLAN:

Written policies and procedures will be implemented to address maintaining appropriate documentation to support expenditures.

2020-005 Failure to remit payroll taxes timely

RECOMMENDATION: The Town should establish policies and procedures to ensure all payroll tax deposits are remitted to the appropriate agencies by the prescribed deadline.

CORRECTIVE ACTION PLAN:

Payroll tax deposits are now remitted electronically by Town Accountant.

2020-006 Customer Deposits Subsidiary Ledger

RECOMMENDATION: The subsidiary ledger should be updated to account for all deposits received from customers and should be reconciled to the cash account on a monthly basis.

CORRECTIVE ACTION PLAN:

Customer water/gas deposits will be printed and reconciled monthly.

Significant Deficiency -

2020-004 Capital Asset Management

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

CORRECTIVE ACTION PLAN:

Management to work with Town Departments to establish process to maintain record of Capital Assets. Property Manager to be determined. Currently, there are no construction projects.

Compliance

2020-007 Donated Funds

RECOMMENDATION: The Town should take steps to collect all long outstanding customer accounts including cutting off service until the account is current and paid in full and using a collection agency for customers that no longer live in the Town.

CORRECTIVE ACTION PLAN:

Town is in the process to collect aged accounts and has submitted old disconnected accounts to LAMATS for collection. Town will update LAMATS list.

2020-008 Failure to maintain minute book

RECOMMENDATION: Management should ensure that written minutes are maintained and current for all Town board meetings.

CORRECTIVE ACTION PLAN:

Written minutes are now being maintained and kept current for all Town board meetings.

2020-009 Debt Covenants and USDA requirements

RECOMMENDATION: The needs to implement proper internal controls and policies and procedures to ensure that the Town can meet its debt covenant obligations and reporting obligations.

CORRECTIVE ACTION PLAN:

Corrective actions, financial and otherwise, are being implemented to ensure that the Town can meet its debt covenant obligations and reporting obligations.

2020-010 Late Issuance of Report

RECOMMENDATION: The Town should take the necessary steps to ensure that all financial records are accurate and made available to the Town's auditors in a timely manner.

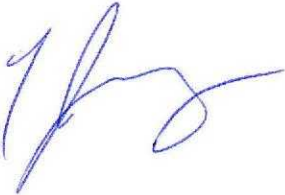
CORRECTIVE ACTION PLAN:

The Town will take the necessary steps to ensure that all financial records are accurate and made available to the Town's auditors in a timely manner.

If there are questions regarding this plan, please call Thomas Jung, Town Clerk, at (337) 623-4226.

Sincerely,

Thomas Jung
Town Clerk

A handwritten signature in blue ink, appearing to read 'Thomas Jung', is written over the typed name and title.