

TOWN OF MELVILLE, LOUISIANA
Financial Report

Year Ended September 30, 2022

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INDEPENDENT AUDITORS' REPORT

The Honorable Caretta Robertson, Mayor
and Members of the Board of Aldermen
Town of Melville, Louisiana

Disclaimer of Opinion

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of The Town of Melville, Louisiana, (The Town) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise The Town's basic financial statements as listed in the table of contents.

Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the basic financial statements of The Town. Accordingly, we do not express an opinion on these financial statements.

Basis for Disclaimer of Opinion on the Financial Statements as a Whole

Management of The Town, did not retain sufficient records and provide adequate audit evidence for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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

The accompanying financial statements have been prepared assuming that The Town will continue as a going concern. As described in Note 14 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 are also described in Note 14. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Town's ability to continue as a going concern within for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Because of the matter described in the Basis for Disclaimer of Opinion section, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we,

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 26 through 28 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Town has omitted management’s discussion and analysis that accounting principles generally accepted in the United States of America required 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 reported 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 the missing information.

Supplementary Information

We were engaged for the purpose of forming opinions on the financial statements that collectively comprise The Town’s basic financial statements. The accompanying Schedule of Compensation, Benefits, and Other Payments to the Agency Head - Mayor, Schedule of Compensation, Benefits and Other Payments to Agency Head – Board of Alderman, Schedule of Number of Utility Customers, Schedule of Insurance in Force, and the Independent Accountants’ Report on Applying Agreed-Upon Procedures are not a required part of the financial statements, but are supplementary information required by Louisiana State Law. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. We have applied certain limited procedures to the supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2023, on our consideration of The Town’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Town’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Town’s internal control over financial reporting and compliance.



Daigrepoint & Brian, APAC
Baton Rouge, LA

October 25, 2023

TOWN OF MELVILLE, LOUISIANA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and interest-bearing deposits	\$ 31,612	\$ 31,714	\$ 63,326
Receivables, net	18,706	58,866	77,572
Due from other governmental agencies	29,791	-	29,791
Internal balances	171,808	(171,808)	-
Prepaid expense	-	3,072	3,072
Restricted assets:			
Interest bearing deposits	-	30,128	30,128
Capital assets:			
Non-depreciable	92,159	-	92,159
Depreciable, net	286,650	2,416,713	2,703,363
Total asset	<u>\$ 630,726</u>	<u>\$ 2,368,685</u>	<u>\$ 2,999,411</u>
LIABILITIES			
Checks written in excess of cash	\$ 40,228	\$ -	\$ 40,228
Accounts and other payables	196,254	3,234	199,488
Payroll liabilities	118,826	-	118,826
Customers' deposits	-	25,337	25,337
Long-term liabilities:			
Due within one year	32,914	36,835	69,749
Due in more than one year	139,221	1,011,840	1,151,061
Total liabilities	<u>527,443</u>	<u>1,077,246</u>	<u>1,604,689</u>
NET POSITION			
Net investment in capital assets	206,674	1,368,038	1,574,712
Restricted for tax dedications	26,802	-	26,802
Restricted for debt service	-	36,835	36,835
Unrestricted	(130,193)	(113,434)	(243,627)
Total net position	<u>\$ 103,283</u>	<u>\$ 1,291,439</u>	<u>\$ 1,394,722</u>

See accompanying independent auditors' report and footnotes.

TOWN OF MELVILLE, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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	\$ 723,534	\$ 15,929	\$ 213,022	\$ (494,583)	\$ -	\$ (494,583)
Public safety	58,584	17,883	-	(40,701)	-	(40,701)
Public works	6,743	-	-	(6,743)	-	(6,743)
Culture and recreation	1,338	33,197	-	31,859	-	31,859
Interest on long-term debt	-	-	-	-	-	-
Total governmental activities	<u>790,199</u>	<u>67,009</u>	<u>213,022</u>	<u>(510,168)</u>	<u>-</u>	<u>(510,168)</u>
Business-Type Activities						
Administration	162,944	-	-	-	(162,944)	(162,944)
Gas	13,833	44,446	-	-	30,613	30,613
Water	38,926	131,074	-	-	92,148	92,148
Sewer	92,607	95,260	-	-	2,653	2,653
Interest on long-term debt	84,247	-	-	-	(84,247)	(84,247)
Total business-type activities	<u>392,557</u>	<u>270,780</u>	<u>-</u>	<u>-</u>	<u>(121,777)</u>	<u>(121,777)</u>
Total	<u>\$ 1,182,756</u>	<u>\$ 337,789</u>	<u>\$ 213,022</u>	<u>\$ (510,168)</u>	<u>\$ (121,777)</u>	<u>\$ (631,945)</u>

General Revenues:

Taxes -			
Property, levied for general purposes	\$ 11,894	\$ -	\$ 11,894
Sales & use, levied for general purposes	184,075	-	184,075
Franchise	82,165	-	82,165
Other	6,480	-	6,480
Occupational licenses and permits	558	-	558
Fire insurance premium	8,411	-	8,411
Interest and investment earnings	81	17	98
Miscellaneous	47,174	1,144	48,318
Transfers	47,131	12,614	59,745
Total general revenues and transfers	<u>387,969</u>	<u>13,775</u>	<u>401,744</u>
Change in net position	(122,199)	(108,002)	(230,201)
Net position - beginning	225,482	1,399,441	1,624,923
Net position - ending	<u>\$ 103,283</u>	<u>\$ 1,291,439</u>	<u>\$ 1,394,722</u>

See accompanying independent auditors' report and footnotes.

TOWN OF MELVILLE, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	General	Sales Tax Special Revenue	Total
ASSETS			
Cash and interest-bearing deposits	\$ 23,516	\$ 8,096	\$ 31,612
Receivables, net	-	18,706	18,706
Due from other funds	171,808	-	171,808
Due from other governmental units	29,791	-	29,791
Total Assets	<u>\$ 225,115</u>	<u>\$ 26,802</u>	<u>\$ 251,917</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Checks written in excess of cash	\$ 40,228	\$ -	\$ 40,228
Accounts payable	196,254	-	196,254
Payroll liabilities	118,826	-	118,826
Total Liabilities	<u>355,308</u>	<u>-</u>	<u>355,308</u>
Fund Balances:			
Restricted - tax dedication	-	26,802	26,802
Unassigned	(130,193)	-	(130,193)
Total Fund Balances	<u>(130,193)</u>	<u>26,802</u>	<u>(103,391)</u>
Total Liabilities and Fund Balances	<u>\$ 225,115</u>	<u>\$ 26,802</u>	<u>\$ 251,917</u>

See accompanying independent auditors' report and footnotes.

TOWN OF MELVILLE, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

Total fund balance per balance sheet	\$ (103,391)
Capital assets, net	378,809
Long-term liabilities:	
Bonds payable	<u>(172,135)</u>
Total net position of governmental activities	<u><u>\$ 103,283</u></u>

See accompanying independent auditors' report and footnotes.

TOWN OF MELVILLE, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General	Sales Tax Special Revenue	Total
Revenues:			
Taxes	\$ 100,539	\$ 184,075	\$ 284,614
Grants	213,022	-	213,022
Licenses and permits	558	-	558
Intergovernmental	8,411	-	8,411
Charges for services	49,126	-	49,126
Fines and forfeitures	17,883	-	17,883
Interest	78	3	81
Other	47,174	-	47,174
Total revenues	<u>436,791</u>	<u>184,078</u>	<u>620,869</u>
Expenditures:			
Current -			
General government	678,308	-	678,308
Public safety	58,584	-	58,584
Public works	6,743	-	6,743
Culture and recreation	1,338	-	1,338
Total expenditures	<u>744,973</u>	<u>-</u>	<u>744,973</u>
(Deficiency) excess of revenues over expenditures	(308,182)	184,078	(124,104)
Other financing sources (uses):			
Transfers in	312,371	-	312,371
Transfers out	(78,440)	(186,800)	(265,240)
Total other financing sources (uses)	<u>233,931</u>	<u>(186,800)</u>	<u>47,131</u>
Net changes in fund balances	(74,251)	(2,722)	(76,973)
Fund balances, beginning	<u>(55,942)</u>	<u>29,524</u>	<u>(26,418)</u>
Fund balances, ending	<u>\$ (130,193)</u>	<u>\$ 26,802</u>	<u>\$ (103,391)</u>

See accompanying independent auditors' report and footnotes.

**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, 2022**

Total net changes in fund balances per statement of revenues, expenditures and changes in fund balances	\$	(76,973)
Capital assets:		
Depreciation expense		(45,226)
		<hr style="border-top: 1px solid black;"/>
Total change in net position per statement of activities	\$	<u>(122,199)</u>

See accompanying independent auditors' report and footnotes.

**TOWN OF MELVILLE, LOUISIANA
 PROPRIETARY FUND
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2022**

ASSETS

Current assets:

Cash and cash equivalents	\$	31,714
Accounts receivable, net		58,866
Prepaid expense		3,072
Total current assets		93,652

Noncurrent assets:

Restricted assets -		
Interest-bearing deposits		30,128
Capital assets, net of accumulated depreciation		2,416,713
Total noncurrent assets		2,446,841
Total assets	\$	2,540,493

LIABILITIES

Current liabilities:

Accounts payable	\$	3,234
Due to other funds		171,808
Current portion of long term debt		36,835
Total current liabilities		211,877

Noncurrent liabilities:

Customers' deposits		25,337
Bonds payable		1,011,840
Total noncurrent liabilities		1,037,177
Total liabilities		1,249,054

NET POSITION

Net investment in capital assets		1,368,038
Restricted for debt service		36,835
Unrestricted		(113,434)
Total net position	\$	1,291,439

See accompanying independent auditors' report and footnotes.

TOWN OF MELVILLE, LOUISIANA
PROPERTIARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Operating revenues:	
Charges for services	\$ 270,780
Miscellaneous	1,144
Total operating revenues	<u>271,924</u>
Operating expenses:	
Administrative expenses	162,944
Gas department expenses	13,833
Water department expenses	38,926
Sewerage department expenses	92,607
Total operating expenses	<u>308,310</u>
Operating income	(36,386)
Nonoperating revenues (expenses):	
Interest income	17
Interest expenses	(84,247)
Total nonoperating expenses	<u>(84,230)</u>
Income before transfers	(120,616)
Transfers in	214,185
Transfers out	(201,571)
Change in net position	<u>(108,002)</u>
Net position, beginning	<u>1,399,441</u>
Net position, ending	<u><u>\$ 1,291,439</u></u>

See accompanying independent auditors' report and footnotes.

TOWN OF MELVILLE, LOUISIANA
STATEMENT OF CASH FLOWS
PROPERTIARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Cash flows from operating activities:	
Receipts from customers	\$ 270,780
Payments to suppliers	(119,117)
Payments to employees	(43,827)
Other receipts	1,144
Net cash provided by operating activities	108,980
Cash flows from noncapital financing activities:	
Cash paid to other funds	37,268
Transfers from other funds	214,185
Transfers to other funds	(201,571)
Net cash used in noncapital financing activities	49,882
Cash flows from capital and related financing activities:	
Principal paid on bonds payable	(65,114)
Interest and fiscal charges paid on capital lease payable	(84,247)
Net cash used in capital and related financing activities	(149,361)
Cash flows from investing activities:	
Interest on investments	17
Net cash provided by capital and related financing activities	17
Net change in cash and cash equivalents	9,518
Cash and cash equivalents, beginning of period	52,324
Cash and cash equivalents, end of period	\$ 61,842
Cash flows from operating activities:	
Operating income	\$ (36,386)
Adjustments to reconcile operating income to net cash provided by operating activities -	
Depreciation	145,366
Net cash provided by operating activities	\$ 108,980
Cash and cash equivalents, end of period:	
Current	\$ 31,714
Restricted	30,128
	\$ 61,842

See accompanying independent auditors' report and footnotes.

**TOWN OF MELVILLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

(1) Summary of Significant Accounting Policies

The accompanying financial statements of The Town of Melville, Louisiana (The Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP inclines 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 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 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, 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 THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

(I) Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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.

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 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.

**TOWN OF MELVILLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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 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.

**TOWN OF MELVILLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

C. Measurement Focus/Basis of Accounting (Continued)

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.

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 uncollectability of the particular receivable. At September 30, 2022, an allowance for uncollectible 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.

**TOWN OF MELVILLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Equity (Continued)

Prepaid Items

Payments made to vendors for services that will benefit periods beyond fiscal year end, 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.

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. Vacation and sick 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.

**TOWN OF MELVILLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Equity (Continued)

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.

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.

**TOWN OF MELVILLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Equity (Continued)

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.

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.

**TOWN OF MELVILLE, LOUISIANA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022**

E Revenues, Expenditures, and Expenses (Continued)

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 8

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

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>\$ 101,079</u>
Deposits are secured as follows:	
Insured deposits	<u>\$ 101,079</u>

**TOWN OF MELVILLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

(3) 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	18,706	-	18,706
Totals	<u>\$ 18,706</u>	<u>\$ 58,866</u>	<u>\$ 77,572</u>

(4) Capital Assets

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
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	<u>1,638,551</u>	<u>-</u>	<u>-</u>	<u>1,638,551</u>
Less accumulated depreciation				
Buildings	509,750	18,483	-	528,233
Infrastructure	67,051	5,397	-	72,448
Equipment, furniture and fixtures	729,874	21,346	-	751,220
Total accumulated depreciation	<u>1,306,675</u>	<u>45,226</u>	<u>-</u>	<u>1,351,901</u>
Total capital assets being depreciated, net	<u>331,876</u>	<u>(45,226)</u>	<u>-</u>	<u>286,650</u>
Governmental activities, capital assets, net	<u>\$ 424,035</u>	<u>\$ (45,226)</u>	<u>\$ -</u>	<u>\$ 378,809</u>
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	<u>7,489,228</u>	<u>-</u>	<u>-</u>	<u>7,489,228</u>
Less accumulated depreciation				
Gas system	1,346,789	13,833	-	1,360,622
Water system	1,159,964	38,926	-	1,198,890
Sewer system	2,420,396	92,607	-	2,513,003
Total accumulated depreciation	<u>4,927,149</u>	<u>145,366</u>	<u>-</u>	<u>5,072,515</u>
Business-type activities, capital assets, net	<u>\$ 2,562,079</u>	<u>\$ (145,366)</u>	<u>\$ -</u>	<u>\$ 2,416,713</u>

**TOWN OF MELVILLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

(5) Long-Term Liabilities

Long-term liabilities at September 30, 2022 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 Commercial Pumper Fire Truck.

\$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.

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

\$442,000 Municipal Sewer System bonds dated 7/25/83, due in monthly installments of \$2,221 through 2/25/23; interest at 5 percent, secured by sewer system revenues.

	<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	\$ 98,135	\$ -	\$ -	\$ 98,135	\$ 24,914
Bonds Payable -					
Limited Tax Bonds, Series 2018	74,000	-	-	74,000	8,000
Total governmental activities	<u>\$ 172,135</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 172,135</u>	<u>\$ 32,914</u>
Business-type activities:					
Bonds Payable -					
Sewer Revenue Bonds, Series 2011	\$ 1,071,493	\$ -	\$ 41,114	\$ 1,030,379	\$ 18,539
Municipal Sewer System Revenue Bonds	42,296	-	24,000	18,296	18,296
Total business-type activities	<u>\$ 1,113,789</u>	<u>\$ -</u>	<u>\$ 65,114</u>	<u>\$ 1,048,675</u>	<u>\$ 36,835</u>

**TOWN OF MELVILLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

(5) Long-Term Liabilities (Continued)

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	
2023	\$ 29,510	\$ 5,503	\$ 31,229	\$ 43,867	\$ 110,109
2024	31,505	4,253	20,070	42,897	98,725
2025	32,546	2,943	20,939	42,028	98,456
2026	21,178	1,583	21,993	40,962	85,716
2027	9,000	1,382	21,968	40,996	73,346
2028 to 2030	48,396	1,003	94,020	154,751	298,170
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	-	-	5,740	271	6,011
Totals	\$ 172,135	\$ 16,667	\$ 1,048,675	\$ 792,394	\$ 2,029,871

(6) 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.

(7) 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.

(8) 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 constructing, improving, and maintaining public streets and bridges within The Town and maintaining and operating sewers and sewerage disposal facilities of The Town

(9) Fund Balance Deficit

The Town's General Fund had a deficit fund balance at September 30, 2022 of (\$130,193). This deficit will be financed through future revenues of the fund.

**TOWN OF MELVILLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

(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 was not in compliance with terms relating to its Sinking Fund bond agreements for the fiscal year ended September 30, 2022.

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 noninterest-bearing transaction accounts at participating FDIC-insured institutions.

The Town was not in compliance with funding its Sewerage Short-Lived Assets Depreciation Fund bond agreements for the fiscal year ended September 30, 2022.

(11) Interfund Transactions

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.

(12) Risk Retention

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee medical insurance; and natural disasters. The Town carries commercial insurance for risks of loss or damage to property, general liability, and medical insurance. There were no significant reductions in insurance coverage during the year from coverage in the prior year.

(13) Subsequent Events

In preparing these financial statements, The Town has evaluated events and transactions for potential recognition or disclosure through October 25, 2023, which is the date the financial statements were available to be issued.

**TOWN OF MELVILLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

(14) Going Concern and Plan of Action

During the fiscal year ended September 30, 2022, 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, 2022, 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
General Fund

Budgetary Comparison Schedule
Year Ended September 30, 2022

	Budget		Actual	Variance -
	Original	Final		Positive (Negative)
Revenues:				
Taxes	\$ 87,197	\$ 87,197	\$ 100,539	\$ (13,342)
Licenses and permits	29,650	29,650	558	29,092
Intergovernmental	25,680	25,680	8,411	17,269
Charges for services	32,273	32,273	49,126	(16,853)
Fines and forfeitures	5,000	5,000	17,883	(12,883)
Interest	-	-	78	(78)
Other	27,484	27,484	47,174	(19,690)
Total Revenues	<u>207,284</u>	<u>207,284</u>	<u>223,769</u>	<u>(16,485)</u>
Expenditures:				
Current -				
General government	341,026	341,026	678,308	(337,282)
Public safety	111,868	111,868	58,584	53,284
Public works	114,275	114,275	6,743	107,532
Culture and recreation	-	-	1,338	(1,338)
Debt service:				
Principal	102,118	102,118	-	102,118
Interest	-	-	-	-
Total expenditures	<u>669,287</u>	<u>669,287</u>	<u>744,973</u>	<u>(75,686)</u>
Deficiency of revenues over expenditures	(462,003)	(462,003)	(521,204)	(59,201)
Other financing sources (uses):				
Transfers in	564,000	564,000	312,371	(251,629)
Transfers out	-	-	(78,440)	(78,440)
Total other financing sources	<u>564,000</u>	<u>564,000</u>	<u>233,931</u>	<u>(330,069)</u>
Net change in fund balance	101,997	101,997	(287,273)	(389,270)
Fund balance, beginning	<u>(55,942)</u>	<u>(55,942)</u>	<u>(55,942)</u>	<u>-</u>
Fund balance, ending	<u>\$ 46,055</u>	<u>\$ 46,055</u>	<u>\$ (343,215)</u>	<u>\$ (389,270)</u>

See accompanying independent auditors' report and footnotes.

TOWN OF MELVILLE, LOUISIANA
Sales Tax Special Revenue Fund
Budgetary Comparison Schedule
Year Ended September 30, 2022

	Budget		Actual	Variance -
	Original	Final		Positive (Negative)
Revenues:				
Taxes	\$ 150,000	\$ 150,000	\$ 184,075	\$ 34,075
Interest	24	24	3	(21)
Total revenue	<u>150,024</u>	<u>150,024</u>	<u>184,078</u>	<u>34,054</u>
Expenditures:				
Current -				
General government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	150,024	150,024	184,078	34,054
Other financing sources (uses):				
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(186,800)</u>	<u>(36,800)</u>
Net change in fund balance	24	24	(2,722)	(2,746)
Fund balance, beginning	<u>29,524</u>	<u>29,524</u>	<u>29,524</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 29,548</u></u>	<u><u>\$ 29,548</u></u>	<u><u>\$ 26,802</u></u>	<u><u>\$ (2,746)</u></u>

See accompanying independent auditors' report and footnotes.

TOWN OF MELVILLE, LOUISIANA
Notes to Budgetary Comparison Schedule

(I) 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, 2022, the General Fund reported excess expenditures over appropriations.

See accompanying independent auditors' report and footnotes.

TOWN OF MELVILLE, LOUISIANA

**Schedule of Compensation, Benefits, and Other Payments to Agency Head
Velma Hendricks, Mayor
For the Year Ended September 30, 2022**

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

See accompanying independent auditors' report and footnotes.

TOWN OF MELVILLE, LOUISIANA
Schedule of Compensation, Benefits, and Other Payments to Agency Head
Board of Alderman
For the Year Ended September 30, 2022

<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 Treuel Jr	2019-2022	1,400
		<u>\$ 7,000</u>

See accompanying independent auditors' report and footnotes.

TOWN OF MELVILLE, LOUISIANA
Enterprise Fund
Utility Fund

Schedule of Number of Utility Customers
For the Year Ended September 30, 2022

Record maintained by the Town indicated the following number of customers were being serviced during the month of September 30, 2022.

<u>Department</u>	<u>Residential</u>	<u>Commercial</u>	<u>Total</u>
Gas	254	9	263
Water	425	19	444
Sewerage	365	18	383
Totals	<u>1044</u>	<u>46</u>	<u>1090</u>

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

See accompanying independent auditors' report and footnotes.

TOWN OF MELVILLE, LOUISIANA

**Schedule of Insurance in Force
For the Year Ended September 30, 2022**

Insurer	Assets Covered	Risks Covered	Limits of Coverage (in Dollars)	Expiration Date
Louisiana Municipal Risk Management Association	General Liability	Bodily injury, Property damage	\$ 500,000	7/31/2022
	Police operations	General liability	\$ 1,000	7/31/2022
	Errors and omissions	General liability	\$ 1,000	7/31/2022
	Automobiles	Bodily injury, Property damage	\$ 1,000,000	7/31/2022
The Hanover Insurance Group	Commercial Property	Fire, Windstorm/Hail, Theft	\$ 7,000	11/21/2022
LWCC	Workers Comp	Bodily injury, Disease	\$ 500,000	1/25/2023

See accompanying independent auditors' report and footnotes.



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 Caretta Robertson, Mayor
and Members of the Board of Aldermen
Town of Melville, Louisiana

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Town of Melville, Louisiana (The Town), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise The Town's basic financial statements and have issued our report thereon dated October 25, 2023.

Report on Internal Control over Financial Reporting

In connection with our engagement to audit the financial statements of The Town, we considered The Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Town's internal control. Accordingly, we do not express an opinion on the effectiveness of The Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-001 through 2022-003 and 2022-005 through 2022-006 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 findings and questioned costs as item 2022-004 to be a significant deficiency.

Report on Compliance and Other Matters

In connection with our engagement to audit the financial statements of The Town, 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 financial statements. 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 are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2022-007 through 2022-010. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

The Town's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on The Town's response to the findings identified in our engagement and described in the accompanying schedule of findings and questioned costs. The Town's response was not subject to the other auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Daigrepoint & Brian, APAC
Baton Rouge, LA

October 25, 2023

**TOWN OF MELVILLE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2022**

We have audited the financial statements of the governmental activities and each major fund of The Town of Melville, Louisiana, (The Town), as of September 30, 2022, and for the year ended, and have issued our report thereon dated October 25, 2023. 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.

Summary of Auditors' Report

Financial Statements

Type of auditors' report issued:	Disclaimer
Material weakness(es) identified?	Yes
Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	Yes

Findings - Financial Statement Audit

Finding 2022-001 - Inadequate Segregation of Accounting Functions

Condition:

The Town 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.

Finding 2022-002 - Accounting Policies and Financial Reporting

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 integral 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.

Finding 2022-003 - Inadequate documentation and/or lack of supporting documentation

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 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.

Finding 2022-004 - Capital Asset Management

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.

Finding 2022-005 - Failure to remit payroll taxes timely

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.

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 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.

Finding 2022-006 - Customer Deposits Subsidiary Ledger

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's liability relating to customer deposits does not match the actual liability per billing registers.

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 liability owed to the IRS

Effect:

Failure to reconcile the customer deposit subsidiary ledger to the cash account could result in cash missing and customers not receiving proper cash 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

Finding 2022-007 - Donated Funds

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 some accounts are for 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 current and paid in full and using a collection agency for customers that no longer live in The Town.

Finding 2022-008 - Failure to maintain minute book

Condition:

The Town failed to maintain minutes of Town meetings. Minutes of Town meetings were rarely available.

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 the written minutes are maintained and current for all Town board meetings.

Finding 2022-009 - Debt Covenants and USDA requirements

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.

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.

Recommendation:

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

Finding 2022-010 - Late Issuance of Report

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.

Questioned Costs

There are no questioned costs for the year ended September 30, 2022.

**TOWN OF MELVILLE, LOUISIANA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
SEPTEMBER 30, 2021**

Summary of Prior Audit Findings

Finding 2021-001 - Inadequate Segregation of Accounting Functions

Status: This finding has not been resolved and has been restated as finding 2022-001.

Finding 2021-002 - Accounting Policies and Financial Reporting

Status: This finding has not been resolved and has been restated as finding 2022-002.

Finding 2021-003 - Inadequate documentation and/or lack of supporting documentation

Status: This finding has not been resolved and has been restated as finding 2022-003.

Finding 2021-004 - Capital Asset Management

Status: This finding has not been resolved and has been restated as finding 2022-004.

Finding 2021-005 - Failure to remit payroll taxes timely

Status: This finding has not been resolved and has been restated as finding 2022-005.

Finding 2021-006 - Customer Deposits Subsidiary Ledger

Status: This finding has not been resolved and has been restated as finding 2022-006.

Finding 2021-007 - Donated Funds

Status: This finding has not been resolved and has been restated as finding 2022-007.

Finding 2021-008 - Failure to maintain minute book

Status: This finding has not been resolved and has been restated as finding 2022-008.

Finding 2021-009 - Debt Covenants and USDA requirements

Status: This finding has not been resolved and has been restated as finding 2022-009.

Finding 2021-010 - Late Issuance of Report

Status: This finding has not been resolved and has been restated as finding 2022-010.

Summary of Prior Audit Questioned Costs

There were no prior year questioned costs.

Mayor
Caretta
Robertson
Town Council
Natasha Thomas-
Oliney
Linda Haynes
Theardis Tieuel,
Jr.
Pete Circello
April Butler-
Goudeau



Clerk
Khadiejah
Williams
Police Chief
Phillip Lucas
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, 2022.

Audit conducted by:

Daigrepoint & Brian, APAC
910 S. Acadian Thruway
Baton Rouge, LA 70806

Audit Period: Fiscal year ended September 30, 2022

The findings from the September 30, 2022 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 -

2022-001 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.

2022-002 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.

2022-003 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.

2022-005 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.

2022-006 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 -

2022-004 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

2022-007 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.

2022-008 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.

2022-009 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.

2022-010 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 Khadiejah Williams, Town Clerk, at 337-623-4226.

Sincerely,

Caretta Robertson
Mayor



INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Caretta Robertson, Mayor
and Members of the Board of Aldermen
Town of Melville, Louisiana

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2021 through September 30, 2022. The Town's management is responsible for those C/C areas identified in the SAUPs.

The Town has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period October 1, 2021 through September 30, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving.
 - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Exception: The Town does not have any written policies and procedures.

Board or Finance Committee

2. Obtain and inspect the board finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Exception: The board failed to meet on a monthly basis. The minutes obtained did not include a formal plan to eliminate the negative unassigned fund balance.

Bank Reconciliations

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged), and
 - c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Exception: Bank reconciliations obtained could not be relied upon to perform procedures. Furthermore, documentation could not be obtained regarding research into items that were outstanding for 12 or more months.

Collections (excluding electronic funds transfers)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees responsible for cash collections do not share cash drawers registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and or subsidiary ledgers, by revenue source and or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Exception: Unable to perform procedure 7 due to supporting documentation not being able to be located. No other exceptions were noted as a result of applying these procedures.

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
 - a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
 - b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Exception: Unable to perform procedure 10 due to supporting documentation not being able to be located. No other exceptions were noted as a result of applying these procedures.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Exception: Not able to perform procedures due to supporting documentation not being able to be located.

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
 - a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Exception: Not able to perform procedures due to supporting documentation not being able to be located.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
 - If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).
 - Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

Exception: Not able to perform procedures due to supporting documentation not being able to be located.

Payroll and Personnel

16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). Observe whether supervisors approved the attendance and leave of the selected employees or officials.
 - Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - Observe the rate paid to the employees or officials agree to the authorized salary pay rate found within the personnel file.
18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Exception: Not able to perform procedures due to supporting documentation not being able to be located.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
- a. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Exception: No documentation was able to be obtained regarding completion of the ethics training for five randomly selected employees/officials. No changes to the Town's ethics policy were noted during the fiscal year.

Debt Service

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Exception: The Town is not in compliance with debt covenants. Per management, no additional bonds were issued during the current fiscal year.

Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the Town attorney of the parish in which the entity is domiciled.
24. Observe the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Exception: Fraud notice was not posted on the Town's premises or website. No misappropriations were indicated by management.

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."
- a. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and

observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

- b. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
- c. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Results: We performed the procedures and discussed the results with management.

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.
27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42.344.
 - a) Number and percentage of public servants in the agency who have completed the training requirements;
 - b) Number of sexual harassment complaints received by the agency;
 - c) Number of complaints which resulted in a finding that sexual harassment occurred,
 - d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - e) Amount of time it took to resolve each complaint.

Exception: No documentation was able to be obtained regarding completion of the sexual harassment training for five randomly selected employees/officials. Furthermore, no sexual harassment policy was noted on the Town's website. No instances of sexual harassment were brought to our attention by management.

Management's Response: We have reviewed the independent accountant's report on applying agreed-upon procedures and agree with the exceptions noted. We will review our policies and procedures and update accordingly to include the best practices suggested by the LLA.

We were engaged by The Town to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to

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

We are required to be independent of The Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

A handwritten signature in blue ink that reads "Daigrepoint & Brian APAC". The signature is written in a cursive, flowing style.

Daigrepoint & Brian, APAC
Baton Rouge, LA

October 25, 2023