

TOWN OF MERRYVILLE, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2013

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

Release Date ~~FEB 26 2014~~

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John A. Windham, CPA

A Professional Corporation

1620 North Pine Street
DeRidder, LA 70634
Tel: (337) 462-3211
Fax: (337) 462-0640

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

INDEPENDENT AUDITOR'S REPORT

The Honorable Larry Carroll, Mayor
and Members of the Board of Aldermen
Town of Merryville, Louisiana

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Merryville, Louisiana as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Basis for Qualified Opinion on the Special Revenue Sales Tax Fund

The Town of Merryville, Louisiana collected two 1% sales taxes that had expired June 30, 2007, from July 1, 2012 through December 31, 2012. This was in violation of the two sales tax propositions that expired June 30, 2007; therefore I was unable to form an opinion on sales tax revenues in the amount of \$ 348,955. Due to the overstated sales tax revenue, the restricted fund balance in the sales tax fund is also overstated, therefore I am unable to form an opinion on the sales tax revenue or the restricted fund balance in the Special Revenue Sales Tax Fund. I believe this occurred due to several administration changes since 2007 and the lack of tracking of expiration dates by the Town and local tax collector.

The Honorable Larry Carroll, Mayor
and Members of the Board of Aldermen

Qualified Opinion

In my opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on the Special Revenue Tax Fund" paragraph the financial statements referred to above present fairly, in all material respects, the financial position of the Special Revenue Sales Tax Fund of the Town of Merryville, Louisiana as of June 30, 2013, and the changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund other than the Special Revenue Sales Tax Fund of the Town of Merryville, Louisiana as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information, on pages 28-30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Other Information

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

The schedule of per diem paid to board members, combining schedule of net position, and the schedule of revenues, expenses and changes in financial position is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain addition procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of per diem paid to board members, combining schedule of net position, and the combining schedule of revenues, expenses and changes in financial position are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Honorable Larry Carroll, Mayor
and Members of the Board of Aldermen

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 8, 2013, on my consideration of the Town of Merryville, Louisiana's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Merryville, Louisiana's internal control over financial reporting and compliance.

Handwritten signature of J. M. Windham, CPA in black ink.

DeRidder, Louisiana
November 8, 2013

BASIC FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2013

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 161,280	\$ 145,815	\$ 307,095
Receivables:			
Ad valorem	9,484	-	9,484
Sales taxes	25,336	-	25,336
Franchise taxes	7,587	-	7,587
Occupational licenses	713	-	713
Accounts	-	14,463	14,463
Intergovernmental:			
Alcohol taxes	762	-	762
State mowing contract	3,170	-	3,170
Federal grant	-	22,916	22,916
Due from general fund	-	12,078	12,078
Restricted cash and cash equivalents	36,141	115,633	151,774
Capital assets not being depreciated	23,456	572,054	595,510
Capital assets being depreciated, net	404,065	2,625,323	3,029,388
Total assets	<u>\$ 671,994</u>	<u>\$ 3,508,282</u>	<u>\$ 4,180,276</u>
LIABILITIES			
Accounts payable	\$ 28,510	\$ 3,135	\$ 31,645
Contracts payable	-	22,916	22,916
Payroll taxes payable	948	5,447	6,395
Due to utility fund	12,078	-	12,078
Accrued interest payable	-	7,429	7,429
Customer deposits	-	15,896	15,896
Noncurrent liabilities:			
Due within one year	-	25,000	25,000
Due in more than one year	-	142,375	142,375
Total liabilities	<u>\$ 41,536</u>	<u>\$ 222,198</u>	<u>\$ 263,734</u>
NET POSITION			
Net investment in capital assets	\$ 427,521	\$ 3,030,002	\$ 3,457,523
Restricted for:			
Revenue bond retirement	-	83,203	83,203
Sales taxes	60,316	-	60,316
Unrestricted	142,621	172,879	315,500
Total net position	<u>\$ 630,458</u>	<u>\$ 3,286,084</u>	<u>\$ 3,916,542</u>
Total liabilities and net position	<u>\$ 671,994</u>	<u>\$ 3,508,282</u>	<u>\$ 4,180,276</u>

The accompanying notes are an integral part of this statement.

Town of Merryville, Louisiana

Statement B

Statement of Activities
For the Year Ended June 30, 2013

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Program Activities							
Governmental activities:							
General government and administration	\$ 169,086	\$ -	\$ 709	\$ 3,390	\$ (164,987)	\$ -	\$ (164,987)
Public safety	248,725	151,719	-	-	(97,006)	-	(97,006)
Public works	242,228	28,998	-	-	(213,230)	-	(213,230)
Total governmental activities	\$ 660,039	\$ 180,717	\$ 709	\$ 3,390	\$ (475,223)	\$ -	\$ (475,223)
Business-type activities:							
Water and sewer	447,966	182,704	3,451	507,907	-	246,096	246,096
Total government	\$ 1,108,005	\$ 363,421	\$ 4,160	\$ 511,297	\$ (475,223)	\$ 246,096	\$ (229,127)
General revenues:							
Taxes:							
Ad valorem					29,374	-	29,374
Sales					348,955	-	348,955
Alcohol					2,834	-	2,834
Franchise					38,145	-	38,145
Occupational licenses and permits					38,184	-	38,184
Investment earnings					-	300	300
Fundraiser sales					1,022	-	1,022
Rentals					5,592	-	5,592
Miscellaneous					2,767	-	2,767
Transfers					(118,169)	118,169	-
Total general revenues and transfers					348,704	118,469	467,173
Change in net position					(126,519)	364,565	238,046
Net position at beginning of year					756,977	2,865,446	3,622,423
Prior period adjustment					-	56,073	56,073
Net position at end of year					\$ 630,458	\$ 3,286,084	\$ 3,860,469

The accompanying notes are an integral part of the statement.

Balance Sheet
Governmental Funds
June 30, 2013

		Major Fund Special Revenue Fund	Total Governmental Funds
	General	Sales Tax Fund	
ASSETS			
Cash and cash equivalents	\$ 161,280	\$ -	\$ 161,280
Receivables:			
Ad valorem taxes	9,484	-	9,484
Sales taxes	-	25,336	25,336
Franchise taxes	7,587	-	7,587
Occupational licenses	-	713	713
Intergovernmental:			
Alcohol taxes	762	-	762
State mowing contract	3,170	-	3,170
Restricted cash and cash equivalents	-	36,141	36,141
Total assets	<u>\$ 182,283</u>	<u>\$ 62,190</u>	<u>\$ 244,473</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 27,349	\$ 1,161	\$ 28,510
Payroll taxes payable	948	-	948
Due to utility fund	12,078	-	12,078
Total liabilities	<u>\$ 40,375</u>	<u>\$ 1,161</u>	<u>\$ 41,536</u>
Fund Balances:			
Unassigned	\$ 141,908	\$ 713	\$ 142,621
Restricted	-	60,316	60,316
Total fund balances	<u>\$ 141,908</u>	<u>\$ 61,029</u>	<u>\$ 202,937</u>
Total liabilities and fund balances	<u>\$ 182,283</u>	<u>\$ 62,190</u>	<u>\$ 244,473</u>

The accompanying notes are an integral part of this statement.

Reconciliation of the Governmental Funds Balance Sheet
to Statement of Net Position
June 30, 2013

Total fund balance - total governmental funds	\$ 202,937
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheets.	<u>427,521</u>
Net position of governmental activities	<u><u>\$ 630,458</u></u>

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

		<u>Major Fund</u> <u>Special Revenue</u> <u>Fund</u>	Total Governmental Funds
	<u>General Fund</u>	<u>Sales Tax Fund</u>	
Revenues			
Taxes:			
Ad valorem	\$ 29,374	\$ -	\$ 29,374
Sales	-	348,955	348,955
Alcohol	2,834	-	2,834
Franchise	38,145	-	38,145
Charges for services	28,998	-	28,998
Intergovernmental:			
Federal grants	709	-	709
State grants	3,390	-	3,390
Occupational licenses and permits	-	38,184	38,184
Fines and forfeitures	151,719	-	151,719
Rentals	5,592	-	5,592
Fundraiser sales	1,022	-	1,022
Other revenues	2,767	-	2,767
Total revenues	<u>\$ 264,550</u>	<u>\$ 387,139</u>	<u>\$ 651,689</u>
Expenditures			
General government	\$ 149,507	\$ 7,239	\$ 156,746
Public safety	226,700	-	226,700
Public works	239,857	-	239,857
Capital outlay	57,445	-	57,445
Total expenditures	<u>\$ 673,509</u>	<u>\$ 7,239</u>	<u>\$ 680,748</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (408,959)</u>	<u>\$ 379,900</u>	<u>\$ (29,059)</u>
Other financing sources (uses)			
Transfer in	\$ 269,291	\$ -	\$ 269,291
Transfer out	-	(387,460)	(387,460)
Gain on sale of assets	-	-	-
Total other financing sources (uses)	<u>\$ 269,291</u>	<u>\$ (387,460)</u>	<u>\$ (118,169)</u>
Net change in fund balance	\$ (139,668)	\$ (7,560)	\$ (147,228)
Fund balances at beginning of year	<u>281,576</u>	<u>68,589</u>	<u>350,165</u>
Fund balances at end of year	<u>\$ 141,908</u>	<u>\$ 61,029</u>	<u>\$ 202,937</u>

The accompanying notes are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of Governmental Funds to the
Statement of Activities

For the Year Ended June 30, 2013

Net change in fund balances - total governmental funds \$ (147,228)

Amounts reported for governmental activities in the
statement of activities are different because:

*Governmental funds report capital outlays as expenditures. However,
in the government-wide statement of activities and changes in
net position, the cost of those assets is allocated over their estimated
useful lives as depreciation expense. This is the amount of capital
assets recorded in the current period.*

57,445

Depreciation expense on capital assets is reported in the government-
wide statement of activities and changes in net position, but they
do not require the use of current financial resources. Therefore,
depreciation expense is not reported as an expenditure in governmental funds.

(36,736)

Change in net position of governmental activities

\$ (126,519)

The accompanying notes are an integral part of this statement.

Statement of Net Position
Proprietary Fund
June 30, 2013

	Business-type Activities - Enterprise Fund Water and Sewer
Assets	
Current Assets	
Cash and cash equivalents	\$ 145,815
Receivables:	
Accounts	14,463
Intergovernmental	
Federal grant	22,916
Due from general fund	12,078
Total current assets	<u>\$ 195,272</u>
Noncurrent Assets	
Restricted cash and cash equivalents	\$ 115,633
Capital assets not being depreciated	572,054
Capital assets being depreciated, net	2,625,323
Total noncurrent assets	<u>\$ 3,313,010</u>
Total assets	<u><u>\$ 3,508,282</u></u>
Liabilities	
Current Liabilities	
Accounts payable	\$ 3,135
Customer deposits	15,896
Payroll taxes payable	5,447
Total current liabilities	<u>\$ 24,478</u>
Liabilities payable from restricted assets	
Contracts payable	\$ 22,916
Accrued interest payable	7,429
Current portion of revenue bonds payable	25,000
Total liabilities payable from restricted assets	<u>\$ 55,345</u>
Noncurrent Liabilities	
Revenue bonds payable	<u>\$ 142,375</u>
Total liabilities	<u>\$ 222,198</u>
Net Position	
Net investment in capital assets	\$ 3,030,002
Restricted for:	
Revenue bond retirement	83,203
Unrestricted	172,879
Total net position	<u>\$ 3,286,084</u>
Total liabilities and net position	<u><u>\$ 3,508,282</u></u>

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Fund
 For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Fund Water and Sewer
Operating revenues	
Charges for services	\$ 182,704
Operating expenses	
Personal services	\$ 131,873
Supplies	44,481
Contractual services	103,754
Depreciation	159,381
Total operating expenses	\$ 439,489
Income (loss) from operations	\$ (256,785)
Nonoperating revenues (expenses)	
Investment income	\$ 300
Interest expense	(8,477)
Total nonoperating revenues (expenses)	\$ (8,177)
Income (loss) before contributions and transfers	\$ (264,962)
Transfers in	\$ 118,169
Capital contributions	511,358
Change in net position	\$ 364,565
Net position at beginning of year	\$ 2,865,446
Prior period adjustment	56,073
Net position at end of year	\$ 3,286,084

The accompanying notes are an integral part of this statement.

Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Fund
	<u>Water and Sewer</u>
Cash flows from operating activities:	
Cash received from customers	\$ 183,056
Cash payments to suppliers for goods and services	(149,826)
Cash payments to employees for services	(128,418)
Net cash used by operating activities	<u>\$ (95,188)</u>
Cash flows from noncapital financing activities:	
Transfers from other funds	\$ 118,169
Payments to other funds	(29,571)
Net cash provided by noncapital financing activities	<u>\$ 88,598</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (541,494)
Interest paid on bonds	(9,569)
Retirement of bonds	(24,000)
Capital contributions received	543,122
Net cash used by capital and related financing activities	<u>\$ (31,941)</u>
Cash flow from investing activities:	
Interest on cash and investments	<u>\$ 300</u>
Net increase (decrease) in cash and cash investments	\$ (38,231)
Cash and cash equivalents, July 1, 2012	299,679
Cash and cash equivalents, June 30, 2013	<u>\$ 261,448</u>

(Continued)

The accompanying notes are an integral part of this statement.

Statement of Cash Flows
 Proprietary Fund
 For the Year Ended June 30, 2013

	Business-type Activities - <u>Enterprise Funds</u>
	<u>Water and Sewer</u>
Reconciliation of income (loss) from operations to net cash used by operating activities:	
Loss from operations	\$ (256,785)
Adjustments to reconcile income (loss) from operations to net cash used by operating activities:	
Depreciation	\$ 159,381
Change in assets and liabilities:	
Decrease in accounts receivable	782
Increase in payroll taxes payable	3,455
Decrease in accounts payable	(1,591)
Decrease in customer deposits payable	<u>(430)</u>
Net cash used by operating activities	<u>\$ (95,188)</u> (Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

Town of Merryville, Louisiana
Notes to the Financial Statements
As of and for the Year Ended June 30, 2013

INTRODUCTION

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Town of Merryville, Louisiana

Notes to the Financial Statements (Continued)

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

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

The municipality reports the following major governmental funds:

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

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

The municipality reports the following major proprietary fund:

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

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

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

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

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

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

Town of Merryville, Louisiana

Notes to the Financial Statements (Continued)

C. Deposits and Investments

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

D. Receivables and Payables

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

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

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

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

<u>Property Tax Calendar</u>	
Assessment date	January 1, 2012
Levy date	June 30, 2012
Tax bills mailed	October 15, 2012
Total taxes are due	December 31, 2012
Penalties & interest due	January 31, 2013
Lien date	January 31, 2013
Tax sale	May 15, 2013

For the year ended June 30, 2013, taxes of 8.37 mills were levied on property with an assessed valuation totaling \$2,376,742, and were dedicated as follows:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Taxes due for:			Renewed
General corporate tax	8.37	8.37	Annually

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

Town of Merryville, Louisiana

Notes to the Financial Statements (Continued)

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

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>Ad Valorem Tax Revenue for Municipality</u>
Central Louisiana Electric, Co.	Utility	\$ 141,170	5.94%	\$ 1,182
Texas Petroleum Investment Co.	Gas & Oil	380,047	16.00%	3,181
Total		<u>\$ 521,217</u>	<u>21.94%</u>	<u>\$ 4,363</u>

Sales Tax

The Town of Merryville receives a one-percent sales and use tax, for a period of twenty years beginning January 1, 2013 and ending December 31, 2032, the revenues derived from said sales and use tax to be dedicated and used for the purpose of constructing, acquiring, extending, improving, operating and maintaining streets for the Town.

The Town of Merryville also receives a one-percent sales and use tax for a period of twenty years beginning January 1, 2013 and ending December 31, 2032, the revenues derived from said sales and use tax to be dedicated and used for the purpose of operating, maintaining and administering solid waste disposal facilities.

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

E. Restricted Assets

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

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

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

F. Capital Assets

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense included during the current fiscal year was \$9,724. No interest was included as part of the cost of capital assets under construction in construction projects.

Town of Merryville, Louisiana

Notes to the Financial Statements (Continued)

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

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

G. Compensated Absences

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

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

Vacation

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

Vacation days cannot be carried over from year to year.

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

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

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

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

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

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

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

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

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

Sick leave may be used as maternity leave.

Town of Merryville, Louisiana

Notes to the Financial Statements (Continued)

H. Long-Term Obligations

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

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

I. Extraordinary and Special Items

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

J. Estimates

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

K. Fund Balances

Unassigned Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Restricted Amounts that are restricted to a specific purpose should be reported as restricted fund balance. Fund balance should be reported as restricted when constraints placed on the use of resources are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation.

L. Restricted Net Position

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

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

Town of Merryville, Louisiana

Notes to the Financial Statements (Continued)

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGET INFORMATION The municipality uses the following budget practices:

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

EXCESS OF EXPENDITURES OVER APPROPRIATIONS The following individual fund had actual expenditures over budgeted appropriations for the year ended June 30, 2013.

<u>Fund</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Sales Tax Fund	\$ 8,500	\$ 6,500	\$ 7,239	\$ 739

3. CASH AND CASH EQUIVALENTS

At June 30, 2013, the municipality has cash and cash equivalents (book balances) totaling \$458,869 as follows:

Demand deposits	\$ 325,695
Petty cash	200
Money market investment accounts	132,974
Total	<u>\$ 458,869</u>

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

Town of Merryville, Louisiana

Notes to the Financial Statements (Continued)

At June 30, 2013, the municipality has \$485,160 in deposits (collected bank balances). These deposits are secured from risk by \$419,118 of federal deposit insurance and \$66,042 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the municipality that the fiscal agent has failed to pay deposited funds upon demand.

4. RECEIVABLES

The receivables of \$84,431 at June 30, 2013, are as follows:

<u>Class of receivable</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
Taxes:				
Ad valorem	\$ 9,484	\$ -	\$ -	\$ 9,484
Sales and use	-	25,336	-	25,336
Franchise	7,587	-	-	7,587
Alcohol	762	-	-	762
Occupational licenses	-	713	-	713
Intergovernmental grant	-	-	22,916	22,916
State mowing contract	3,170	-	-	3,170
Accounts	-	-	14,463	14,463
Total	<u>\$ 21,003</u>	<u>\$ 26,049</u>	<u>\$ 37,379</u>	<u>\$ 84,431</u>

Town of Merryville, Louisiana

Notes to the Financial Statements (Continued)

5. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2013, for the primary government is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 10,600	\$ -	\$ -	\$ 10,600
Work in progress	31,611	12,856	31,611	12,856
Total capital assets not being depreciated	42,211	12,856	31,611	23,456
Capital assets being depreciated				
Buildings	218,922	66,132	-	285,054
Vehicles	95,029	10,068	-	105,097
Improvements other than buildings	304,510	-	-	304,510
Machinery and equipment	210,162	-	-	210,162
Total capital assets being depreciated	828,623	76,200	-	904,823
Less accumulated depreciation for:				
Buildings	86,799	8,078	-	94,877
Vehicles	56,374	15,152	-	71,526
Improvements other than buildings	150,087	7,419	-	157,506
Equipment	170,762	6,087	-	176,849
Total accumulated depreciation	464,022	36,736	-	500,758
Total capital assets being depreciated, net	\$ 364,601	\$ 39,464	\$ -	\$ 404,065
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 37,666	\$ -	\$ -	\$ 37,666
Construction in progress	-	534,388	-	534,388
Total capital assets not being depreciated	37,666	534,388	-	572,054
Capital assets being depreciated				
Buildings	18,328	-	-	18,328
Improvements other than buildings	5,733,657	31,300	-	5,764,957
Machinery and equipment	211,229	-	-	211,229
Vehicles	17,907	-	-	17,907
Total capital assets being depreciated	5,981,121	31,300	-	6,012,421
Less accumulated depreciation for:				
Buildings	1,694	459	-	2,153
Improvements other than buildings	3,066,138	138,916	-	3,205,054
Machinery and equipment	141,978	20,006	-	161,984
Vehicles	17,907	-	-	17,907
Total accumulated depreciation	3,227,717	159,381	-	3,387,098
Total capital assets being depreciated, net	\$ 2,753,404	\$ (128,081)	\$ -	\$ 2,625,323

Town of Merryville, Louisiana

Notes to the Financial Statements (Continued)

Depreciation expense of \$36,736 for the year ended June 30, 2013, was charged to the following governmental functions:

Public works	\$ 2,371
Public safety	22,025
General administration	<u>12,340</u>
Total	<u>\$ 36,736</u>

6. CONSTRUCTION COMMITMENTS

The municipality had an active construction project as of June 30, 2013. The Town is in process of improving its sewer system. At year end the commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Sewer improvements	<u>\$ 534,388</u>	<u>\$ 55,612</u>

7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

	Transfer in	Transfer out
Special revenue fund	\$ -	\$ 387,460
General fund	269,291	-
Proprietary fund	<u>118,169</u>	<u>-</u>
Total	<u>\$ 387,460</u>	<u>\$ 387,460</u>

The composition of interfund balances as of June 30, 2013 is as follows:

	Due to	Due from
General fund	\$ -	\$ 12,078
Proprietary fund	<u>12,078</u>	<u>-</u>
Total	<u>\$ 12,078</u>	<u>\$ 12,078</u>

8. ACCOUNTS AND OTHER PAYABLES

The payables of \$68,385 at June 30, 2013, are as follows:

	General Fund	Revenue Fund	Proprietary Fund	Total
Payroll taxes	\$ 948	\$ -	\$ 5,447	\$ 6,395
Accounts	27,349	1,161	3,135	31,645
Contracts	-	-	22,916	22,916
Accrued interest	-	-	7,429	7,429
Total	<u>\$ 28,297</u>	<u>\$ 1,161</u>	<u>\$ 38,927</u>	<u>\$ 68,385</u>

Town of Merryville, Louisiana

Notes to the Financial Statements (Continued)

9. LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended June 30, 2013.

Long-term obligations at beginning of year	\$ 191,375
Additions	-
Deductions	<u>(24,000)</u>
Long-term obligations at end of year	<u>\$ 167,375</u>

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of June 30, 2013:

	<u>Bonded Debt</u>
Current portion	<u>\$ 25,000</u>
Long-term portion	<u>142,375</u>
Total	<u>\$ 167,375</u>

All municipal bonds outstanding at June 30, 2013, for \$191,375, are revenue bonds with maturities from 2013 to 2019 and the interest rate at 5%. Bond principal and interest payable in the next fiscal year are \$25,000 and \$8,361 respectively. The individual issues are as follows:

<u>Bond</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Final Payment Due</u>	<u>Interest to Maturity</u>	<u>Principal Outstanding</u>	<u>Funding Source</u>
Utilities Revenue Refunding Bonds Series 1978	\$ 550,000	5.00%	8/10/2018	\$ 30,366	\$ 167,375	Water revenues

<u>Year Ending June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2014	\$ 25,000	\$ 8,361	\$ 33,361
2015	26,000	7,111	33,111
2016	27,000	5,811	32,811
2017	28,000	4,461	32,461
2018	30,000	3,061	33,061
2019	<u>31,375</u>	<u>1,561</u>	<u>32,936</u>
Total	<u>\$ 167,375</u>	<u>\$ 30,366</u>	<u>\$ 197,741</u>

In accordance with R.S. 39:562, the municipality is legally restricted from incurring long-term bonded debt in excess of 35% of the assessed value of taxable property. At June 30, 2013, the statutory limit is \$831,859 and outstanding bonded debt totals \$167,375.

Town of Merryville, Louisiana

Notes to the Financial Statements (Concluded)

10. RESTRICTED NET POSITION

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

Restricted assets:	
Reserve and contingency accounts	\$ 115,632
Grant receivable	<u>22,916</u>
Total	<u>\$ 138,548</u>
Less:	
Liabilities payable from restricted assets:	
Grant contract payable	\$ 22,916
Current portion of bond	<u>25,000</u>
Accrued interest on bond	<u>7,429</u>
Total	<u>\$ 55,345</u>
Restricted net position	<u>\$ 83,203</u>

11. PRIOR PERIOD ADJUSTMENT

During the previous year a LCDBG sewer improvement project began. The project was not recorded in the general ledger and the bank account normally had a zero balance since the grant monies that were deposited were spent the same day as the deposit. This project was discovered during the current year audit and a prior period adjustment was necessary to record the first three payments on the project of \$56,073. This project is still ongoing and is recorded as work in progress as of June 30, 2013.

REQUIRED SUPPLEMENTAL INFORMATION

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amount	Budget to GAAP	Actual Amount
	Original	Final	Budgetary Basis	differences over (under)	GAAP Basis
Revenues					
Taxes:					
Ad valorem	\$ 25,000	\$ 25,000	\$ 29,374	\$ 4,374	\$ 29,374
Alcohol	2,600	2,600	2,834	234	2,834
Tobacco	1,706	1,706	-	(1,706)	-
Franchise fees	40,000	40,000	38,145	(1,855)	38,145
Charges for services	38,440	30,440	28,998	(1,442)	28,998
Intergovernmental:					
Federal grants	40,000	-	709	709	709
State grants	5,000	-	3,390	3,390	3,390
Fines and forfeitures	250,000	150,000	151,719	1,719	151,719
Rentals	5,500	5,500	5,592	92	5,592
Fundraiser sales	-	-	1,022	1,022	1,022
Donations	500	-	-	-	-
Other revenue	13,000	4,000	2,767	(1,233)	2,767
Total revenues	\$ 421,746	\$ 259,246	\$ 264,550	\$ 5,304	\$ 264,550
Expenditures					
General government and administration	\$ 246,550	\$ 170,050	\$ 149,507	\$ 20,543	\$ 149,507
Public safety	170,044	201,144	226,700	(25,556)	226,700
Public works	104,150	242,000	239,857	2,143	239,857
Capital outlay	30,000	67,500	57,445	10,055	57,445
Total expenditures	\$ 550,744	\$ 680,694	\$ 673,509	\$ 7,185	\$ 673,509
Excess (deficiency) of revenues over expenditures	\$ (128,998)	\$ (421,448)	\$ (408,959)	\$ 12,489	\$ (408,959)

(Continued)

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amount Budgetary Basis	Budget to GAAP differences over (under)	Actual Amount GAAP Basis
	Original	Final			
Other financing sources:					
Transfer in	\$ 330,000	\$ 270,000	\$ 269,291	\$ (709)	\$ 269,291
Net change in fund balance	\$ 201,002	\$ (151,448)	\$ (139,668)	\$ 11,780	\$ (139,668)
Fund balances at beginning of year	270,000	281,576	281,576	-	281,576
Fund balances at end of year	<u>\$ 471,002</u>	<u>\$ 130,128</u>	<u>\$ 141,908</u>	<u>\$ 11,780</u>	<u>\$ 141,908</u>
					(Concluded)

Special Revenue Fund
Sales Tax Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amount Budgetary Basis	Budget to GAAP differences over (under)	Actual Amount GAAP Basis
	Original	Final			
Revenues					
Taxes:					
Sales	\$ 400,000	\$ 360,000	\$ 348,955	\$ (11,045)	\$ 348,955
Occupational licenses and permits	41,000	37,000	38,184	1,184	38,184
Total revenues	\$ 441,000	\$ 397,000	\$ 387,139	\$ (9,861)	\$ 387,139
Expenditures					
General government and administration	\$ 8,500	\$ 6,500	\$ 7,239	\$ (739)	\$ 7,239
Excess (deficiency) of revenues over expenditures	\$ 432,500	\$ 390,500	\$ 379,900	\$ (10,600)	\$ 379,900
Other financing sources (uses):					
Transfers out	\$ 432,000	\$ (388,000)	\$ (387,460)	\$ 540	\$ (387,460)
Net change in fund balance	\$ 500	\$ 2,500	\$ (7,560)	\$ (10,060)	\$ (7,560)
Fund balances at beginning of year	69,000	68,589	68,589	-	68,589
Fund balances at end of year	\$ 69,500	\$ 71,089	\$ 61,029	\$ (10,060)	\$ 61,029

OTHER SUPPLEMENTAL INFORMATION

Schedule of Per Diem Paid to Board Members
Year Ended June 30, 2013

<u>Board Members</u>	<u>Total Paid</u>
Mark Allen	\$ 1,300
Beaver Knighton	1,300
Alton Bennett	1,300
Amanda Pointer	1,300
Mance Stark	1,300
	<u>\$ 6,500</u>

Combining Schedule of Net Position
Proprietary Fund
June 30, 2013

	Business-type Activities - Enterprise Fund		
	Water System	Sewer System	Utility Fund Total
Cash and cash equivalents	\$ 61,243	\$ 84,572	\$ 145,815
Receivables:			
Accounts	4,921	9,542	14,463
Intergovernmental:			
Federal grant	-	22,916	22,916
Due from general fund	6,039	6,039	12,078
Restricted cash and cash equivalents	-	115,633	115,633
Capital assets not being depreciated	541	571,513	572,054
Capital assets being depreciated, net	536,668	2,088,655	2,625,323
Total assets	<u>\$ 609,412</u>	<u>\$ 2,898,870</u>	<u>\$ 3,508,282</u>
LIABILITIES			
Accounts payable	\$ 1,532	\$ 1,603	\$ 3,135
Contracts payable	-	22,916	22,916
Payroll taxes payable	1,960	3,487	5,447
Accrued interest payable	-	7,429	7,429
Customer deposits	5,409	10,487	15,896
Noncurrent liabilities:			
Due within one year	-	25,000	25,000
Due in more than one year	-	142,375	142,375
Total liabilities	<u>\$ 8,901</u>	<u>\$ 213,297</u>	<u>\$ 222,198</u>
NET POSITION			
Net Investment in capital assets	\$ 537,209	\$ 2,492,793	\$ 3,030,002
Restricted for:			
Revenue bond retirement	-	83,203	83,203
Unrestricted	63,302	109,577	172,879
Total net position	<u>\$ 600,511</u>	<u>\$ 2,685,573</u>	<u>\$ 3,286,084</u>
Total liabilities and net position	<u>\$ 609,412</u>	<u>\$ 2,898,870</u>	<u>\$ 3,508,282</u>

Combining Schedule of Revenues, Expenses and Changes in Net Position
 Proprietary Fund
 For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Fund		
	Water System	Sewer System	Utility Fund Total
Operating revenues			
Charges for services	\$ 76,736	\$ 105,968	\$ 182,704
Operating expenses			
Personal services	\$ 47,455	\$ 84,418	\$ 131,873
Supplies	31,417	13,064	44,481
Contractual services	58,650	45,104	103,754
Depreciation	35,022	124,359	159,381
Total operating expenses	\$ 172,544	\$ 266,945	\$ 439,489
Income (loss) from operations	\$ (95,808)	\$ (160,977)	\$ (256,785)
Nonoperating revenues (expenses)			
Investment income	\$ 162	\$ 138	\$ 300
Interest expense	-	(8,477)	(8,477)
Total nonoperating revenues (expenses)	\$ 162	\$ (8,339)	\$ (8,177)
Income (loss) before contributions and transfers	\$ (95,646)	\$ (169,316)	\$ (264,962)
Transfers in	\$ 59,084	\$ 59,085	\$ 118,169
Capital contributions	31,671	479,687	511,358
Change in net position	\$ (4,891)	\$ 369,456	\$ 364,565
Net position at beginning of year	605,402	2,260,044	2,865,446
Prior period adjustment	-	56,073	56,073
Net position at end of year	\$ 600,511	\$ 2,685,573	\$ 3,286,084

OTHER REPORTS

Schedule of Prior Year Audit Findings
Year Ended June 30, 2013

Findings – Financial Statement Audit

Audit Finding No. 2012-1

Monthly financial statements and budget to actual comparisons were not prepared and presented to the Mayor or Board Members at monthly meetings

Condition:	The Mayor did not have formal financial statements or budget to actual comparisons for each of the Town's funds furnished to him prior to monthly board meetings nor did the Board have these presented to them at the monthly meetings. Only bank reconciliations and the corresponding reconciliation were presented.
Criteria:	The Mayor should have for his review, fund financial statements along with budget to actual comparisons prior to each monthly board meeting. The Board should have these statements available at each monthly meeting in order to make informed decisions concerning the Town's finances.
Cause or Condition:	This detailed review of financial statements had not been done in prior years, only a review of certain documents and limited financial reports had been done.
Effect of Condition:	This could lead to budget violations during the year when actual expenditures exceed budgeted expenditures by more than five percent and the budget would not be amended. This could also lead to uninformed decisions being made by the Mayor or the Board.
Recommendation:	I recommend that the Town hire an independent CPA to help with monthly financial statement preparation along with monthly budget to actual comparisons and that these be presented to the Mayor prior to the monthly board meetings and that Board be presented with these financial reports for review at the monthly board meetings.

Date of Initial Occurrence - June 30, 2012

Corrective Action Taken - Yes

Schedule of Prior Year Audit Findings
Year Ended June 30, 2013

Findings – Financial Statement Audit

Audit Finding No. 2012-2

Written policies and procedures did not exist that address the handling of traffic tickets and final disposition of the tickets according to state law.

Condition:	In numerous cases proper accounting for the disposition of traffic tickets was not maintained according to state law, also the Town had no written policies and procedures concerning issuing ticket books, accounting for the final disposition of tickets, reconciling tickets and adhering to state law reporting requirements.
Criteria:	Written policies and procedures should be maintained and followed by the Town for all facets of the ticket control process. According to state law records must be maintained by the Chief of Police in order to account for all traffic citations and their final disposition.
Cause or Condition:	The Town has never had a formal written policy regarding the ticket process but has followed an informal process that in some cases failed to meet adequate standards of control over tickets and disposition. The Town does maintain logs of issued tickets but in many cases the disposition of the tickets were not accounted for.
Effect of Condition:	Without written policies and procedures errors in the ticket process can occur do to inconsistencies and misunderstandings in applying the informal policies and procedures. Also without complete disposition information for each ticket the Town may not collect all ticket fines that's due them.
Recommendation:	I recommend the Board, Mayor and Police Chief discuss and implement a written policies and procedures manual for the proper handling of all traffic tickets. Guidance in formulating this manual can be located on the Louisiana Legislative Auditor's website. Also final disposition of all tickets should be maintained by the Chief of Police and periodically reviewed by the Mayor.

Date of Initial Occurrence – June 30, 2012

Corrective Action Taken - Yes

Schedule of Prior Year Audit Findings
Year Ended June 30, 2013

Findings – Financial Statement Audit

Audit Finding No. 2012-3

Unissued ticket books not maintained in sequential order

Condition:	The log of unissued ticket books contained gaps in documentation of who the books were issued to or if they were unissued and still on hand. Sequentially numbered ticket books were maintained but many were out of order or did not exist.
Criteria:	Ticket books should be accounted for in numerical sequence, either issued to deputies or kept in a locked cabinet by the Chief of Police. All ticket books should be issued in numerical sequence to deputies and a log maintained of which deputy received which ticket book numbers so they can be accounted for throughout the entire ticket process.
Cause or Condition:	Without written procedures and changes in Police Chiefs, during the year errors in tracking ticket books in numerical sequence occurred. Also the lack of review by the Mayor contributed to unissued ticket logs having gaps in the numerical sequence.
Effect of Condition:	Without proper documentation of unissued ticket books errors could occur with ticket books being issued and returned, citations being issued and accounted for, and documentation being maintained according to state law.
Recommendation:	The Chief of Police and Mayor should work together to have the Chief maintain a numerical sequence log of all ticket books and the Mayor should periodically perform a review of the log book.

Date of Initial Occurrence - June 30, 2012

Corrective Action Taken - Yes

Schedule of Prior Year Audit Findings
Year Ended June 30, 2013

Finding – Financial Statement Audit

Audit Finding No. 2012-4

Ticket citations not being reported to the Louisiana Department of Public Safety as required by state law.

Condition:	Not all final dispositions of citations from the mayor's court were being sent the Commissioner at Louisiana Department of Public Safety as required by state law.
Criteria:	After final disposition of a citation in the mayor's court an abstract of the disposition report shall be sent by the court to the state commissioner.
Cause or Condition:	Due to a lack of review and documentation of final dispositions of citations, some tickets finalized in the mayor's court were not transmitted to the Commissioner at the Louisiana Department of Public Safety.
Effect of Condition:	State law requires that an abstract of the final disposition of traffic citations in the mayor's court be transmitted to the Commissioner of the Louisiana Department of Public Safety. A violation of state law occurs when this abstract is not furnished to the Commissioner.
Recommendation:	I recommend that the Mayor ensure that court personnel transmit all abstracts of final ticket dispositions in the mayor's court to the Commissioner of the Louisiana Department of Public Safety.

Date of Initial Occurrence - June 30, 2012

Corrective Action Taken - Yes

Schedule of Prior Year Audit Findings
Year Ended June 30, 2013

Finding – Financial Statement Audit

Audit Finding No. 2012-5

Utility fund billing registers were not being reconciled to the utility fund general ledger on a monthly basis.

Condition:	Accounts receivable in the utility fund are recorded at year end and no accruals are reversed and set up on a monthly basis during the year.
Criteria:	In order to have more accurate financial statements and properly track receivables from customers, the billing register should be reconciled and recorded each month in the Town's general ledger.
Cause or Condition:	Utility fund receivables from customers do not vary greatly from month to month, therefore the accrual was only made at year end.
Effect of Condition:	Financial statements are not as accurate when the accrual for the billing register receivables is not reconciled and adjusted on a monthly basis. Also, collections in subsequent months can be more clearly compared to the billing register totals when the general ledger contains accurate monthly balances.
Recommendation:	I recommend that an independent CPA, with the Town Clerk's help compare monthly billing registers to the general ledger and make adjustments to accounts receivable general ledger account on a monthly basis based on the billing register.

Date of Initial Occurrence - June 30, 2012

Corrective Action Taken - Yes

Schedule of Prior Year Audit Findings
Year Ended June 30, 2013

Findings – Financial Statement Audit

Audit Finding No. 2012-6

The Town's original budget was not adopted by ordinance as required by law and certain provisions required by law were omitted.

Condition:	The Town's original budget was not adopted by ordinance and did not contain the authority of the Mayor to be able to make changes without board approval as well as those changes that could only be made by the Board.
Criteria:	According to the Lawrason Act under which the Town operates the original budget must be adopted by ordinance. Also the Local Government Budget Act requires the budget to state at what level the Mayor may change the budget without board approval and when board approval is required along with other required elements the budget must maintain.
Cause or Condition:	Neither the Clerk or the Mayor was aware that the budget must be adopted by an ordinance and should contain certain other required elements.
Effect of Condition:	By not adopting the budget by ordinance and not having the required elements in the budget a violation of the Lawrason Act and the Local Government Budget Act occurred.
Recommendation:	I recommend that the Lawrason Act and the Local Government Budget Act be reviewed by the Mayor and the Town Clerk to determine that all required elements are in future budgets. Also the budget should be reviewed for these elements by the Town's attorney prior to being submitted to the Board for adoption by ordinance.

Date of Initial Occurrence - June 30, 2012

Corrective Action Taken - Yes

Schedule of Prior Year Audit Findings
Year Ended June 30, 2013

Findings – Financial Statement Audit

Audit Finding No. 2012-7

The Town did not make daily deposits on occasions

Condition:	The Town did not always make a daily deposit, especially if the money taken in was small in amount. In some cases several days would go by until a deposit would be made.
Criteria:	Good business practices and state law require municipalities to make daily deposits whenever practical.
Cause or Condition:	The Clerk thought it would be alright to wait and make a deposit when the funds available were large enough to warrant a trip to the bank.
Effect of Condition:	During the time these funds are kept on hand money could be misplaced, misappropriated or misclassified. Also, customers depend on a check to be cashed when issued so they can keep their records in order.
Recommendation:	I recommend that a daily deposit be made each day regardless of the size of the deposit and that the Mayor monitor this daily deposit.

Date of Initial Occurrence - June 30, 2012

Corrective Action Taken - Yes .

Schedule of Prior Year Audit Findings
Year Ended June 30, 2013

Finding – Financial Statement Audit

Audit Finding No. 2012-8

Sales taxes being collected from an expired sales tax proposition.

Condition:	The Town has been collecting two 1% sales taxes that were authorized by sales tax propositions to be collected through June 30, 2007. The Town has had no legal right to these funds since June 30, 2007.
Criteria:	Sales tax propositions are approved by the voters of the Town for a certain percentage and usually a certain time period. When sales taxes are collected after the proposition has expired this is a violation of law.
Cause and Condition:	The Town has had several different administrations during this sales tax collection period and the period after the sales tax expired. It is believed that these different administrations were unaware of the expiration date. The Sheriff who collects the sales taxes for the Town had a schedule of expiration dates for the Town's taxes but a typographical error showed the expiration date as June 30, 2017, therefore he continued to collect the tax. Also, the annual audit report did not require an expiration date in the description of the tax.
Effect of Condition:	The Town collected approximately \$600,000 of sales taxes during these years that they were not legally authorized to collect.
Recommendation :	I recommend that the Town implement a system to track expiration dates of sales taxes and that this be passed along to subsequent administrations. Also the Sheriff should have a copy of the process verbal on file for each entity he collects taxes for and notify the entities in advance of pending expiration dates. Also the annual audit now contains expiration dates of sales taxes in the auditor's report shown in the notes to the financial statements.

Date of Initial Occurrence - June 30, 2007

Corrective Action Taken - Yes

Schedule of Prior Year Audit Findings
Year Ended June 30, 2013

Finding – Financial Statement Audit

Audit Finding No. 2012-9

Quarterly audit of traffic citations were not performed.

Condition:	The Town Clerk did not perform quarterly audits of traffic citations as required by state law.
Criteria:	Louisiana Revised Statute 32:3983(B) requires that each record of traffic citations be audited quarterly by the Town Clerk.
Cause and Condition:	Management of the Town of Merryville did not realize that a formal quarterly audit of traffic citations is required by state law.
Effect of Condition:	By not performing the quarterly audit of traffic citations the Town was not in compliance with state law, also controls over the traffic ticket process are weakened when this procedure is not performed.
Recommendation:	I recommend that the Town Clerk audit the traffic ticket process on a quarterly basis and that the mayor review the audit work.

Date of Initial Occurrence - June 30, 2012

Corrective Action Taken - Yes

Schedule of Prior Year Audit Findings
Year Ended June 30, 2013

Finding – Financial Statement Audit

Audit Finding No. 2012-10

The verbal cut-off policy for water sales not always enforced.

Condition:	The Town has a verbal cut-off policy that provides for water services to be cut-off when account balances become past due over thirty days. It was noted that some customers continued to receive water services even when their accounts were past due over thirty days.
Criteria:	The Town has a verbal cut-off policy that provides for water services to be cut-off after an account becomes thirty days past due, also the Louisiana Constitution prohibits a municipality from providing things of value such as water services for free.
Cause and Condition:	During the transition between two different administrations of the Town, past due accounts over thirty days old were not disconnected according to Town policy.
Effect of Condition:	The Town violated its cut-off policy by not disconnecting delinquent accounts over thirty days past due, also the Louisiana Constitution could be violated by providing water services for free.
Recommendation:	I recommend that written policies for disconnecting delinquent accounts be established and adhered to, the mayor should closely monitor past due accounts and disconnect water services as required by the Town's policy.

Date of Initial Occurrence – June 30, 2012

Corrective Action Taken - Yes

Schedule of Current Year Audit Findings and Management's Response
Year Ended June 30, 2013

Finding – Financial Statement Audit**Audit Finding No. 2013-1****Sales taxes being collected from an expired sales tax proposition.**

Condition:	The Town had been collecting two one-percent sales taxes that were authorized by sales tax propositions to be collected through June 30, 2007. The Town has had no legal right to these funds since June 30, 2007.
Criteria:	Sales tax propositions are approved by the voters of the Town for a certain percentage and usually a certain time period. When sales taxes are collected after the proposition has expired this is a violation of law.
Cause and Condition:	The Town had several different administrations during this sales tax collection period and the period after the sales tax expired. It is believed that these different administrations were unaware of the expiration date. The Sheriff who collects the sales taxes for the Town had a schedule of expiration dates for the Town's taxes but a typographical error showed the expiration date as June 30, 2017, therefore he continued to collect the tax. Also, the annual audit report did not require an expiration date in the description of the tax.
Effect of Condition:	The Town collected approximately \$600,000 of sales taxes during these years that they were not legally authorized to collect.
Recommendation :	I recommend that the Town implement a system to track expiration dates of sales taxes and that this be passed along to subsequent administrations. Also the Sheriff should have a copy of the process verbal on file for each entity he collects taxes for and notify the entities in advance of pending expiration dates. Also the annual audit now contains expiration dates of sales taxes in the auditor's report shown in the notes to the financial statements. It is noted that this was a prior year audit finding and as soon as the Town became aware of this error a special election for a new twenty year one-percent sales tax was called. On December 8, 2012 the election for the sales tax was held and passed for collections to begin on January 1, 2013.



Town of Merryville

Post Office Box 607
Merryville, LA 70653
Phone: (337) 825-8740

Larry Carroll
Mayor

Reaver Knighton
Mayor Pro-Tem

J. Craig Lanier
Chief of Police

Council Members

Mance Stark
Amanda Pointer
Alton Bennett
Mark Allen

Mr. Daryl Purpera, CPA, CFE

Louisiana Legislative Auditor

1600 North Third Street

Baton Rouge, La 70804

Dear Mr. Purpera,

In response to the June 30, 2013 audit findings of our Organization I offer the following:

Audit Finding No. 2013-1

The findings is a prior year audit finding that crossed over the fiscal years of June 2012 and July 2013. The Town of Merryville held a special election in December 2012 for the sales tax that had expired. The tax passed and collection began in January of 2013. The expiration date of the sales tax proposition will be included on our yearly audits and a copy of the process verbal is on record at the Tax collection agency.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Larry Carroll", is written over a horizontal line.

Larry Carroll,

Mayor

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John A. Windham, CPA

A Professional Corporation

1620 North Pine Street
DeRidder, LA 70634
Tel: (337) 462-3211
Fax: (337) 462-0640

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

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

The Honorable Larry Carroll, Mayor
and the Members of the Board of Aldermen
Town of Merryville, Louisiana

I have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Merryville, Louisiana as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Merryville, Louisiana's basic financial statements, and have issued my report thereon dated November 8, 2013. The report on the basic financial statements was qualified because the Town had collected during the year two 1% sales taxes that had expired June 30, 2007. This had the effect of overstating sales tax revenues of \$348,955 and possibly overstating the restricted sales tax fund balance. Except as discussed in the previous two sentences, I conducted my 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.

Internal Control over Financial Reporting

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of current year audit findings and management's response, I identified certain deficiencies in internal control that I 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. I consider the deficiency described in the accompanying schedule of current year audit findings and management's response to be a material weakness. Audit Finding No. 2013-1.

The Honorable Larry Carroll, Mayor
and Members of the Board of Aldermen

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charge with governance. I consider the deficiency described in the accompanying schedule of current year audit findings and management's response to be a significant deficiency. Audit Finding No. 2013-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of the Merryville, Louisiana's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of current year audit findings and management's response as item Audit Finding No. 2013-1.

Town of Merryville Louisiana's Response to Finding

Town of Merryville, Louisiana's response to the finding identified in my audit is described in the accompanying schedule of findings and questioned costs. Town of Merryville, Louisiana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



DeRidder, Louisiana
November 8, 2013