

TOWN OF MELVILLE, LOUISIANA

Notes to Financial Statements (Continued)

Revenue bonds:

\$592,000 Municipal Gas System bonds dated 12/20/82; due in annual installments of \$24,000 - \$40,000 through 12/20/07; interest at 5.0 percent.	\$ 377,000
\$985,500 Municipal Sewer System bonds dated 07/25/83; due in annual installments of \$11,000 - \$65,000 through 07/25/23; interest at 5.0 percent and 7.12 percent.	<u>885,000</u>
	<u>\$1,262,000</u>

The annual requirements to amortize all debt outstanding as of September 30, 1996, including interest payments of \$1,399,175, are as follows:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Capital Lease</u>	<u>Total</u>
1997	\$ 55,583	\$ 108,640	\$2,228	\$ 166,451
1998	54,553	109,784	2,228	166,565
1999	54,553	108,756	-	163,309
2000	54,553	109,679	-	164,232
2001	54,553	109,451	-	164,004
2002-2006	272,766	550,791	-	823,557
2007-2011	190,415	338,500	-	528,915
2012-2016	-	418,655	-	418,655
2017-2021	-	348,389	-	348,389
2022-2026	-	209,830	-	209,830
	<u>\$736,976</u>	<u>\$2,412,475</u>	<u>\$4,456</u>	<u>\$3,153,907</u>

(8) Flow of Funds; Restrictions on Use - Utilities Revenues

Under the terms of the bond agreements on outstanding Farmers Home Administration (FHA) Municipal Gas System revenue bonds dated December 20, 1982, and outstanding FHA Municipal Sewer System revenue bonds dated July 25, 1983, all revenues derived from operation of the Utility System will be pledged and dedicated to the retirement of said bonds upon completion of the gas and sewer projects and are to be set aside into the following funds:

TOWN OF MELVILLE, LOUISIANA

Notes to Financial Statements (Continued)

(7) Changes in General Long-Term Debt.

The following is a summary of general long-term debt activity of the Town of Melville for the year ended September 30, 1996:

	<u>Capital Lease</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Total</u>
General long-term debt payable, October 1, 1995	\$ -	\$513,959	\$1,296,000	\$1,809,959
Additions	5,157	-	-	5,157
Reductions	<u>1,428</u>	<u>24,956</u>	<u>34,000</u>	<u>60,384</u>
General long-term debt payable, September 30, 1996	<u>\$3,729</u>	<u>\$489,003</u>	<u>\$1,262,000</u>	<u>\$1,754,732</u>

Long-term debt payable at September 30, 1996 is comprised of the following individual issues:

Capital lease:

Payable to General Electric Capital Corporation; bearing interest of 17.71 percent; payable in 36 monthly installments of \$186

\$ 3,729

General obligation bonds:

\$83,000 Public Improvement Municipal Building bonds dated 03/01/72; due in annual installments of \$1,000 through 03/01/97; interest at 6 percent, payable from post office rental income

\$ 1,000

\$155,000 General Obligation Bonds, Series 1992, dated 08/14/91; due in annual installments of \$13,378 through 2011; interest at 5.875 percent, payable from ad valorem taxes

128,265

\$450,000 Sales Tax Bonds, Series 1992, dated 08/14/91; due in annual installments of \$41,175 through 2009; interest at 5.875 percent, payable from sales tax revenues

359,738

\$ 489,003

TOWN OF MELVILLE, LOUISIANA

Notes to Financial Statements (Continued)

(5) Restricted Assets - Proprietary Fund Type

Restricted assets were applicable to the following at September 30:

	<u>1996</u>	<u>1995</u>
Gas bond and interest sinking fund	\$ 67,921	\$ 73,673
Sewer bond and interest sinking fund	20,006	27,230
Gas bond reserve fund	31,722	29,298
Sewer bond reserve fund	22,515	19,205
Gas bond depreciation and contingency fund	31,618	29,217
Sewer bond depreciation and contingency fund	21,743	18,498
Customers' deposits	<u>23,555</u>	<u>20,048</u>
Totals	<u>\$219,080</u>	<u>\$217,169</u>

(6) Changes in Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance</u> <u>10/01/95</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/96</u>
Land	\$ 82,159	\$ 7,000	\$ -	\$ 89,159
Buildings	364,759	25,448	-	390,207
Equipment	<u>166,621</u>	<u>8,692</u>	-	<u>175,313</u>
Total general fixed assets	<u>\$613,539</u>	<u>\$41,140</u>	<u>\$ -</u>	<u>\$654,679</u>

A summary of proprietary fund type property, plant and equipment at September 30, 1996 follows:

Land	\$ 303
Gas system and improvements	1,362,827
Water system and improvements	432,401
Sewer system and improvements	3,446,866
Equipment and furniture	<u>81,904</u>
	5,324,301
Less: Accumulated depreciation	<u>(1,331,480)</u>
Net property, plant and equipment	<u>\$ 3,992,821</u>

TOWN OF MELVILLE, LOUISIANA

Notes to Financial Statements (Continued)

(3) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October and are actually billed to taxpayers in December. Billed taxes become delinquent on January 1 of the following year. 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.

For the year ended September 30, 1996, taxes of 16.73 mills were levied on property with assessed valuations totaling \$1,814,632 and were dedicated as follows:

General corporate purposes	7.73 mills
Debt service	9.00 mills

Total taxes levied were \$30,359. Uncollected ad valorem taxes at September 30, 1996 amounted to \$1,995.

(4) Interfund Receivables, Payables

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Interfund receivables and payables at September 30, 1996 are as follows:		
General Fund	\$20,846	\$ -
Special Revenue Funds -		
1982 Sales Tax Fund	6,050	15,188
1989 Sales Tax Fund	10,208	10,801
Debt Service Fund -		
Public Improvement Bonds 03-01-72	910	2,000
Sales Tax Bonds 08/14/91	7,207	296
Utility Fund	<u>7,198</u>	<u>24,134</u>
Totals	<u>\$52,419</u>	<u>\$52,419</u>

TOWN OF MELVILLE, LOUISIANA

Notes to Financial Statements (Continued)

(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. At September 30, 1996, the Town had cash and interest-bearing deposits (book balances) totaling \$453,877, as follows:

Demand deposits	\$ 55,984
Money market accounts	310,130
Time deposits	<u>87,763</u>
 Total	 \$453,877 <u> </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 bank. 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. Deposit balances (bank balances) at September 30, 1996 are secured as follows:

Bank balances	\$455,771 <u> </u>
Federal deposit insurance	\$152,000
Pledged securities (Category 3)	<u>428,000</u>
 Total federal insurance and pledged securities	 \$580,000 <u> </u>
 Excess of federal insurance and pledged securities over bank balances	 \$124,229 <u> </u>

Pledged securities in Category 3 include uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Town's name. Even though the pledged securities are considered uncollateralized (Category 3), Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon demand.

TOWN OF MELVILLE, LOUISIANA

Notes to Financial Statements (Continued)

M. Capitalization of Interest Expense

It is the policy of the Town to capitalize material amounts of interest resulting from borrowings in the course of the construction of fixed assets. There was no construction in progress at September 30, 1996 and 1995.

N. Total Columns on Combined Statements - Overview

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

O. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

P. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the funds.

Q. Prior Year Reclassification

Certain previously reported amounts have been reclassified to enhance comparability with 1996 report classifications.

TOWN OF MELVILLE, LOUISIANA

Notes to Financial Statements (Continued)

Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Gas and water lines	30 years
Gas and water equipment	7-10 years
Office equipment and furniture	5-10 years
Sewer and sewer lines	50 years

J. Long-Term Debt

Long-term obligations of the Town are reported in the General Long-Term Debt Account Group. Long-term liabilities for certain revenue bonds are reported in the Utility Fund.

K. Bad Debts

Uncollectible amounts due for ad valorem taxes and customers' utility receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. Although the specific charge-off method is not in conformity with generally accepted accounting principles (GAAP), no allowance for uncollectible receivables was made due to immateriality at September 30, 1996 and 1995.

L. Compensated Absences

Town employees are entitled to certain compensated absences based upon their length of employment. Sick leave is accumulated at one day per month up to a maximum of ten days per year and thirty days in total. Employees are not paid for accumulated sick leave at the time of separation from employment with the Town. Five days of annual leave are earned on the anniversary date of employment for each full-time, permanent employee with less than five full years of service with the municipality. Ten days of annual leave are earned by such employees after five full years of service. Employees may not carry over or accumulate annual leave from one anniversary date to another. Amounts of vested or accumulated compensated absences at September 30, 1996 and 1995 are not recorded as liabilities due to immateriality.

TOWN OF MELVILLE, LOUISIANA

Notes to Financial Statements (Continued)

General Long-Term Debt Account Group

This is not a fund but rather an account group that is used to account for the outstanding principal balances of general obligation bonds and other long-term debt not reported in proprietary funds.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All of the Town's governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets.

Sales taxes are considered "measurable" when in the hands of the Sales Tax Collector and are recognized as revenue at that time. Ad valorem taxes are recognized as revenue in the year budgeted, that is, in the year in which such taxes are billed to taxpayers. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain. Other major revenues that are considered susceptible to accrual include earned grant revenues and other intergovernmental revenues, charges for services and interest on interest-bearing deposits. Franchise fees, licenses and permits, and fines are recognized when received because they are not objectively measurable.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on general long-term debt is recognized when due and purchases of various operating supplies are regarded as expenditures at the time purchased.

The proprietary fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred. Unbilled utility service receivables, resulting from utility services rendered between the date of meter reading and billing and the end of the month, were determined immaterial and are not recorded at year end.

TOWN OF MELVILLE, LOUISIANA

Notes to Financial Statements (Continued)

On each 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 gas and sewer projects have 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 gas reserve fund has a balance of \$43,700 and the sewer reserve fund has a balance of \$71,245.

Also, commencing with the first month in which the gas and sewer projects have been completed, \$179 shall be deposited each month into a gas depreciation and contingency fund, and \$284 shall be deposited each month into a sewer depreciation and contingency fund.

(9) Dedication of Proceeds and Flow of Funds - Sales and Use Taxes

- A. Proceeds of a 1 percent sales and use tax originally approved by the voters of the Town on September 11, 1982, renewed on July 17, 1995 for five years and levied by the Town of Melville (1996 collections \$53,832; 1995 collections \$50,969 are dedicated to the following purposes:

Providing fire protection to the Town (including operation and maintenance of a rescue unit for the fire department); providing for the operation, maintenance and improvement of the natural gas distribution system and water system of the Town; and paying general operating expenses of the Town.

- B. Proceeds of a 1.2 percent sales and use tax approved by voters of the Town on November 18, 1990 and levied by the Town of Melville for a period of twenty years from the date of the first levy of the tax (1996 collections \$65,965; 1995 collections \$62,295 are dedicated to the following purposes:

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

TOWN OF MELVILLE, LOUISIANA
General Fund

Comparative Balance Sheet
September 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
ASSETS		
Cash	\$ 9,107	\$ 4,380
Receivables:		
Ad valorem taxes	922	638
Federal grant	1,167	-
Due from other funds	20,846	21,980
Other	<u>903</u>	<u>-</u>
Total assets	<u>\$32,945</u>	<u>\$26,998</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 5,448	\$ 537
Other accrued liabilities	<u>1,252</u>	<u>1,364</u>
Total liabilities	6,700	1,901
Fund balances:		
Unreserved, undesignated	<u>26,245</u>	<u>25,097</u>
Total liabilities and fund balances	<u>\$32,945</u>	<u>\$26,998</u>

TOWN OF MELVILLE, LOUISIANA

Notes to Financial Statements (Continued)

F. Statement of Cash Flows

For purposes of the statement of cash flows, the Enterprise Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

G. Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

H. Restricted Assets

The Utility Fund, based on certain bond covenants, is required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used to service outstanding debt.

I. Fixed Assets

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group and are recorded as expenditures in the governmental fund types when purchased. The Town has elected not to capitalize public domain ("infrastructure") fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems. No depreciation has been provided on general fixed assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets's life are not included in the general fixed assets account group or capitalized in the proprietary fund.

All purchased fixed assets are stated at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are stated at their estimated fair market value on the date donated. Estimated amounts are immaterial in relation to total fixed assets.

The proprietary fund is accounted for on a cost of services or "capital maintenance" measurement focus, and all assets and all liabilities (whether current or noncurrent) associated with its activity are included on its balance sheet.

TOWN OF MELVILLE, LOUISIANA
Special Revenue Funds

Combining Balance Sheet
September 30, 1996
With Comparative Totals for September 30, 1995

	<u>1982</u> <u>Sales Tax</u>	<u>1989</u> <u>Sales Tax</u>	<u>Totals</u>	
			<u>1996</u>	<u>1995</u>
ASSETS				
Cash	\$24,101	\$ -	\$ 24,101	\$ 21,341
Interest-bearing deposits	-	79,994	79,994	52,116
Due from other funds	<u>6,050</u>	<u>10,208</u>	<u>16,258</u>	<u>13,402</u>
Total assets	<u>\$30,151</u>	<u>\$90,202</u>	<u>\$120,353</u>	<u>\$ 86,859</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,800	\$ -	\$ 1,800	\$ 2,785
Other accrued liabilities	888	-	888	968
Due to other funds	<u>15,188</u>	<u>10,801</u>	<u>25,989</u>	<u>16,086</u>
Total liabilities	<u>17,876</u>	<u>10,801</u>	<u>28,677</u>	<u>19,839</u>
Fund balances:				
Designated for volunteer fire department	10,343	-	10,343	9,148
Unreserved, undesignated	<u>1,932</u>	<u>79,401</u>	<u>81,333</u>	<u>57,872</u>
Total fund balances	<u>12,275</u>	<u>79,401</u>	<u>91,676</u>	<u>67,020</u>
Total liabilities and fund balances	<u>\$30,151</u>	<u>\$90,202</u>	<u>\$120,353</u>	<u>\$ 86,859</u>

TOWN OF MELVILLE, LOUISIANA

Notes to Financial Statements (Continued)

(10) Retirement Commitments

All employees of the Town of Melville participate in the Social Security system. The Town and its employees contribute a percentage of each employee's salary to the system (7.65 percent contributed by the Town and 7.65 percent by the employee). The Town's contribution during the year ended September 30, 1996 amounted to \$12,669.

(11) Natural Gas Contract

Under contract dated January 1, 1992, the Town of Melville is required to purchase its natural gas from Cypress Gas Pipeline Company. During fiscal year ended September 30, 1996, the Town's natural gas purchases amounted to \$82,026, which included \$2,753 owed at September 30, 1996 for gas purchased in the month of September, 1996.

(12) Segment Information - Enterprise Fund

The Town of Melville maintains three utility departments within its enterprise fund which provide gas, water, and sewer services. Segment information for the year ended September 30, 1996 was as follows:

	<u>Gas Department</u>	<u>Water Department</u>	<u>Sewer Department</u>	<u>Total Enterprise Fund</u>
Operating revenues	<u>\$229,228</u>	<u>\$91,039</u>	<u>\$ 97,743</u>	<u>\$418,010</u>
Operating expenses:				
Depreciation	43,584	16,296	69,066	128,946
Other	<u>152,557</u>	<u>69,698</u>	<u>61,612</u>	<u>283,867</u>
Total operating expenses	<u>196,141</u>	<u>85,994</u>	<u>130,678</u>	<u>412,813</u>
Operating income (loss)	<u>\$ 33,087</u>	<u>\$ 5,045</u>	<u>\$(32,935)</u>	<u>\$ 5,197</u>

(13) Litigation and Claims

At September 30, 1996, the Town is involved in one lawsuit claiming damages. In the opinion of the Town's legal counsel, resolution of this lawsuit will not create a liability to the Town which would be material to the financial statements. Therefore, no accrual for a potential liability is recorded in the financial statements at September 30, 1996.

TOWN OF MELVILLE, LOUISIANA

Notes to Financial Statements (Continued)

(14) Contributed Capital

Amounts contributed to the Enterprise Fund for acquisition or construction of fixed assets are recognized as contributed capital. Contributed capital generated through grants externally restricted for capital acquisitions is amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such grants. This depreciation is closed to the appropriate contributed capital account and is reflected as an adjustment to net income on the Comparative Statement of Revenues, Expenses, and Changes in Retained Earnings.

The sources of contributed capital used to acquire and construct facilities of the Enterprise Fund are as follows:

	<u>Municipality</u>	<u>Federal/State Grants</u>	<u>Total</u>
Total contributed capital	\$72,451	\$3,230,907	\$3,303,358
Less: Accumulated amortization	-	<u>737,892</u>	<u>737,892</u>
Net contributed capital	<u>\$72,451</u>	<u>\$2,493,015</u>	<u>\$2,565,466</u>

(15) Compensation of Town Officials

A detail of compensation paid to the Mayor and Board of Aldermen for the year ended September 30, 1996 follows:

James Fontenot	\$2,232
Aldermen:	
Christopher Baker	900
Tony Foret	900
Joseph Martin	900
David Morrow	225
Larry Ponthieux	900
Velma Hendrix	<u>675</u>
	<u>\$6,732</u>

TOWN OF MELVILLE, LOUISIANA
General Fund

Statement of Other Financing Sources (Uses)
Compared to Budget (GAAP Basis)
Year Ended September 30, 1996

With Comparative Actual Amounts for Year Ended September 30, 1995

	<u>1996</u>		Variance - Favorable	1995
	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>	<u>Actual</u>
Other financing sources:				
Operating transfers in -				
Utility Fund	\$90,000	\$88,000	\$(2,000)	\$ 91,486
1989 Sales Tax Fund	-	-	-	10,000
Public Improvement Bonds				
03/01/72 Fund	-	2,943	2,943	17,000
Capital Lease	-	<u>5,157</u>	<u>5,157</u>	-
Total other financing sources	<u>\$90,000</u>	<u>\$96,100</u>	<u>\$ 6,100</u>	<u>\$118,486</u>

TOWN OF MELVILLE, LOUISIANA

Notes to Financial Statements (Continued)

(16) Excess of Expenditures Over Appropriations

The following individual fund had excesses of expenditures over appropriations, which are not apparent from the general purpose financial statements.

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Debt Service Fund:			
Public Improvement Bonds			
03/01/72 Fund	\$1,090	\$2,309	\$1,219

(17) Food Stamp Program

The Food Stamp Program is operated by the Town under an agreement with the Louisiana Department of Social Services, Office of Family Support. Under this program, the Town is responsible for the issuance of food stamps to eligible participants in the parish. The value of food stamps on hand, received, and issued is not recorded in the accompanying financial statements. Activity for the year follows:

Balance at October 1, 1995	\$ ----
Received	355,000
Issued	<u>215,313</u>
Balance at September 30, 1996	<u>\$ 139,687</u>

TOWN OF MELVILLE, LOUISIANA
General Fund

Statement of Expenditures Compared to Budget (GAAP Basis)
Year Ended September 30, 1996
With Comparative Actual Amounts for Year Ended September 30, 1995

	1996		Variance - Favorable (Unfavorable)	1995 Actual
	<u>Budget</u>	<u>Actual</u>		
General government:				
Salaries - Mayor and Aldermen	\$ 6,750	\$ 6,732	\$ 18	\$ 6,732
Other salaries and wages	24,723	23,108	1,615	19,546
Payroll taxes	2,500	1,785	715	1,288
Insurance	7,650	7,021	629	7,656
Dues	1,200	1,274	(74)	1,404
Office expenditures	5,800	7,433	(1,633)	4,886
Professional fees	9,500	9,166	334	9,897
Utilities	1,500	1,552	(52)	1,305
Telephone	1,500	2,002	(502)	1,033
Repairs and maintenance	5,700	5,398	302	5,627
Post office repairs and maintenance	2,500	4,627	(2,127)	2,477
Community activities	-	7,043	(7,043)	-
Miscellaneous	<u>2,500</u>	<u>2,260</u>	<u>240</u>	<u>2,064</u>
Total general government	<u>71,823</u>	<u>79,401</u>	<u>(7,578)</u>	<u>63,915</u>
Public safety:				
Police department -				
Salaries	26,350	23,872	2,478	20,878
Payroll taxes	2,600	2,148	452	1,991
Insurance	16,500	16,295	205	14,420
Auto expenditures	2,000	2,038	(38)	1,585
Maintenance and supplies	2,500	2,479	21	1,936
Prisoners' meals	<u>850</u>	<u>538</u>	<u>312</u>	<u>909</u>
Total public safety	<u>50,800</u>	<u>47,370</u>	<u>3,430</u>	<u>41,719</u>

(continued)

TOWN OF MELVILLE, LOUISIANA
General Fund

Statement of Revenues Compared to Budget (GAAP Basis)
Year Ended September 30, 1996
With Comparative Actual Amounts for Year Ended September 30, 1995

	1996		Variance - Favorable (Unfavorable)	1995 Actual
	<u>Budget</u>	<u>Actual</u>		
Taxes:				
Ad valorem	\$13,500	\$ 13,416	\$ (84)	\$13,729
Cable TV franchise	<u>3,000</u>	<u>3,592</u>	<u>592</u>	<u>3,291</u>
Total taxes	<u>16,500</u>	<u>17,008</u>	<u>508</u>	<u>17,020</u>
Licenses and permits:				
Occupational	<u>19,500</u>	<u>19,870</u>	<u>370</u>	<u>16,258</u>
Intergovernmental:				
U.S. Department of Agriculture - Food Stamp Administrative Grant	6,000	8,935	2,935	-
State of Louisiana -				
Tobacco tax	8,000	8,126	126	8,135
Beer tax	1,500	2,217	717	1,226
Grant - Civic Center	25,000	25,000	-	15,000
St. Landry Parish Housing Authority	<u>1,300</u>	<u>1,380</u>	<u>80</u>	<u>1,327</u>
Total intergovernmental	<u>41,800</u>	<u>45,658</u>	<u>3,858</u>	<u>25,688</u>
Fines and forfeits	<u>5,500</u>	<u>7,308</u>	<u>1,808</u>	<u>4,769</u>
Miscellaneous:				
Rent on buildings	8,000	9,706	1,706	2,073
Donations	6,000	6,196	196	4,330
Other	<u>600</u>	<u>1,293</u>	<u>693</u>	<u>573</u>
Total miscellaneous	<u>14,600</u>	<u>17,195</u>	<u>2,595</u>	<u>6,976</u>
Total revenues	<u>\$97,900</u>	<u>\$107,039</u>	<u>\$9,139</u>	<u>\$70,711</u>

SUPPLEMENTAL INFORMATION

GENERAL FUND

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

TOWN OF MELVILLE, LOUISIANA
General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget (GAAP Basis) and Actual
Year Ended September 30, 1996
With Comparative Actual Amounts for Year Ended September 30, 1995

	1996		Variance - Favorable (Unfavorable)	1995 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Taxes	\$ 16,500	\$ 17,008	\$ 508	\$ 17,020
Licenses and permits	19,500	19,870	370	16,258
Intergovernmental	41,800	45,658	3,858	25,688
Fines and forfeits	5,500	7,308	1,808	4,769
Miscellaneous	<u>14,600</u>	<u>17,195</u>	<u>2,595</u>	<u>6,976</u>
Total revenues	<u>97,900</u>	<u>107,039</u>	<u>9,139</u>	<u>70,711</u>
Expenditures:				
Current -				
General government	71,823	79,401	(7,578)	63,915
Public safety:				
Police	50,800	47,370	3,430	41,719
Highways and streets	25,900	29,307	(3,407)	31,321
Culture and recreation	3,500	2,545	955	1,436
Debt Service	2,232	2,228	4	-
Capital outlay	<u>32,157</u>	<u>41,140</u>	<u>(8,983)</u>	<u>48,153</u>
Total expenditures	<u>186,412</u>	<u>201,991</u>	<u>(15,579)</u>	<u>186,544</u>
Deficiency of revenues over expenditures	<u>(88,512)</u>	<u>(94,952)</u>	<u>(6,440)</u>	<u>(115,833)</u>
Other financing sources:				
Operating transfers in	90,000	90,943	943	118,486
Capital Lease	<u>-</u>	<u>5,157</u>	<u>5,157</u>	<u>-</u>
Total other financing sources	<u>90,000</u>	<u>96,100</u>	<u>6,100</u>	<u>118,486</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,488	1,148	(340)	2,653
Fund balances, beginning	<u>25,097</u>	<u>25,097</u>	<u>-</u>	<u>22,444</u>
Fund balances, ending	<u>\$ 26,585</u>	<u>\$ 26,245</u>	<u>\$ (340)</u>	<u>\$ 25,097</u>

TOWN OF MELVILLE, LOUISIANA

Notes to Financial Statements (Continued)

D. Budgets and Budgetary Accounting

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

1. 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.
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 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 a resolution prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfers of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of the fiscal year.
7. 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. Such amendments were not material in relation to the original appropriations.

E. Interest-Bearing Deposits

Interest-bearing deposits are stated at cost, which approximates market.

TOWN OF MELVILLE, LOUISIANA
Special Revenue Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended September 30, 1996
With Comparative Totals for Year Ended September 30, 1995

	1982	1989	<u>Totals</u>	
	<u>Sales Tax</u>	<u>Sales Tax</u>	<u>1996</u>	<u>1995</u>
Revenues:				
Taxes	\$ 53,832	\$ 65,965	\$119,797	\$113,264
Miscellaneous	<u>3,939</u>	<u>1,317</u>	<u>5,256</u>	<u>12,632</u>
Total revenues	<u>57,771</u>	<u>67,282</u>	<u>125,053</u>	<u>125,896</u>
Expenditures:				
Current -				
General government	8,108	658	8,766	10,860
Public safety:				
Police	43,153	-	43,153	37,957
Rescue unit and fire	23,756	-	23,756	22,410
Highways and streets	4,058	-	4,058	3,165
Culture and recreation	425	-	425	250
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,755</u>
Total expenditures	<u>79,500</u>	<u>658</u>	<u>80,158</u>	<u>77,397</u>
Excess (deficiency) of revenues over expenditures	<u>(21,729)</u>	<u>66,624</u>	<u>44,895</u>	<u>48,499</u>
Other financing sources (uses):				
Operating transfers in	23,000	-	23,000	20,784
Operating transfers out	<u>-</u>	<u>(43,239)</u>	<u>(43,239)</u>	<u>(55,067)</u>
Total other financing sources (uses)	<u>23,000</u>	<u>(43,239)</u>	<u>(20,239)</u>	<u>(34,283)</u>
Excess of revenues and other sources over expenditures and other uses	1,271	23,385	24,656	14,216
Fund balances, beginning	<u>11,004</u>	<u>56,016</u>	<u>67,020</u>	<u>52,804</u>
Fund balances, ending	<u>\$ 12,275</u>	<u>\$ 79,401</u>	<u>\$ 91,676</u>	<u>\$ 67,020</u>

SPECIAL REVENUE FUNDS

1982 Sales Tax Fund - To account for the receipt and use of proceeds of the Town's 1 percent sales and use tax. These taxes are dedicated to the purposes of providing fire protection to the Town; providing for the operation, maintenance and improvements to the natural gas distribution system and water system of the Town; and paying general operating expenses for the Town.

Effective October 1, 1994, financial activity for the Town of Melville Volunteer Fire Department is being accounted for in this fund. A portion of the ending fund balance is designated for the amount of cash held in the fire department checking account at year end.

1989 Sales Tax Fund - To account for the receipt and use of proceeds of the Town's 1.2 percent sales and use tax. These taxes are dedicated to the purposes of constructing, improving and maintaining public streets and bridges within the Town and maintaining and operating sewers and sewerage disposal facilities of the Town.

**SCHEDULES OF INDIVIDUAL FUNDS
AND ACCOUNT GROUPS**

TOWN OF MELVILLE, LOUISIANA

Comparative Statement of Revenues, Expenses, and Changes in Retained Earnings -
 Proprietary Fund Type
 Years Ended September 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Operating revenues:		
Charges for services -		
Gas sales	\$ 186,004	\$ 162,566
Water sales	74,456	73,254
Sewer sales	95,124	94,206
Delinquent charges	7,129	4,843
Miscellaneous -		
Slemco franchise	53,259	51,405
Other sources	<u>2,038</u>	<u>740</u>
Total operating revenues	<u>418,010</u>	<u>387,014</u>
Operating expenses:		
Gas department expenses	152,557	121,662
Water department expenses	69,698	75,571
Sewer department expenses	61,612	59,192
Gas department depreciation	43,584	43,797
Water department depreciation	16,296	16,296
Sewer department depreciation	<u>69,066</u>	<u>69,066</u>
Total operating expenses	<u>412,813</u>	<u>385,584</u>
Operating income	<u>5,197</u>	<u>1,430</u>
Nonoperating revenues (expenses):		
Litigation settlement	-	85,873
Interest income	8,508	9,819
Interest expense	(73,772)	(76,567)
Miscellaneous	<u>29,692</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(35,572)</u>	<u>19,125</u>
Income (loss) before operating transfers	(30,375)	20,555
Operating transfers:		
Operating transfers out	<u>(111,000)</u>	<u>(110,746)</u>
Net loss	(141,375)	(90,191)
Add: Depreciation on fixed assets acquired by federal grant revenues externally restricted for capital acquisitions and construction that reduces contributed capital	<u>90,921</u>	<u>90,921</u>
Increase (decrease) in retained earnings	(50,454)	730
Retained earnings, beginning	<u>464,196</u>	<u>463,466</u>
Retained earnings, ending	<u>\$ 413,742</u>	<u>\$ 464,196</u>

The accompanying notes are an integral part of this statement.

Except as described above, the results of our procedures to determine compliance indicate that, with respect to the items tested, the Town of Melville, Louisiana, complied, in all material respects, with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Town of Melville, Louisiana, had not complied, in all material respects, with those requirements.

This report is intended for the information of the Town's elected officials. However, this report is a matter of public record and its distribution is not limited.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Lafayette, Louisiana
December 18, 1996

DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

(A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS)

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INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

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The Honorable James Fontenot, Mayor
and Members of the Board of Aldermen
Town of Melville, Louisiana

We have audited the general purpose financial statements of the Town of Melville, Louisiana, as of and for the year ended September 30, 1996, and have issued our report thereon dated December 18, 1996. These general purpose financial statements are the responsibility of the Town of Melville, Louisiana's elected officials. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and provisions of Office of Management and Budget Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements of the Town of Melville, Louisiana, taken as a whole. The accompanying schedule of federal financial assistance is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in the schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the general purpose financial statements taken as a whole.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Lafayette, Louisiana
December 18, 1996

TOWN OF MELVILLE

Schedule of Federal Financial Assistance
Year Ended September 30, 1996

<u>Federal Grantor/Pass-Through Grantor/Program Name</u>	<u>CFDA Number</u>	<u>Issues/Expenditures</u>
United States Department of Agriculture: Passed-through Louisiana Department of Social Services - State Administrative Matching Grants for Food Stamp Program	10.561	\$ 8,935
Food Stamps*	10.551	<u>215,313</u>
Total United States Department of Agriculture		<u>\$ 224,248</u>

* Denotes a Major Program

TOWN OF MELVILLE

Schedule of Findings and Questioned Costs
Year Ended September 30, 1996

Program	Finding	Questioned Costs
State Administrative Matching Grants for Food Stamp Program	Armed Guard or Police Protection Finding: As part of the agreement to issue food stamp coupons, the Town agreed to arrange for an armed guard or police protection while the issuing office was opened for business and for the transportation of food coupons. In exchange for providing security, the Town was allowed to file for reimbursement of fifty percent of the cost under the Administrative Matching Grants Program. However, it was determined the Town requested reimbursement for the cost of police protection which was not properly provided as required by the agreement for operation of the Food Stamp Program with the Department of Social Services, Office of Family Support during the year ended September 30, 1996. Recommendation: Only those cost actually incurred by the Town should be requested for reimbursement under the Administrative Matching Grants Program. Response: The Town has hired a part-time armed guard to provide security for the food stamp issuing office and intends to only request reimbursement for the actual cost incurred to provide security in the future.	\$ 2,326

OTHER SUPPLEMENTAL INFORMATION

TOWN OF MELVILLE, LOUISIANA
Enterprise Fund
Utility Fund

Schedule of Number of Utility Customers
(Unaudited)
September 30, 1996 and 1995

Records maintained by the Town indicated the following number of customers were being served during the month of September 1996 and 1995:

<u>Department</u>	<u>1996</u>	<u>1995</u>
Gas (metered)	582	584
Water	603	621
Sewer	552	547

Gas		Water		Sewer	
1996	1995	1996	1995	1996	1995
\$186,004	\$162,566	\$74,456	\$73,254	\$ 95,124	\$ 94,206
3,778	2,615	1,283	920	2,068	1,308
38,346	37,012	14,913	14,393	-	-
1,100	400	387	141	551	199
<u>229,228</u>	<u>202,593</u>	<u>91,039</u>	<u>88,708</u>	<u>97,743</u>	<u>95,713</u>
39,900	31,825	19,950	15,013	16,881	13,211
3,591	2,928	1,795	1,405	907	1,171
82,026	44,746	-	-	-	-
10,568	11,414	8,284	15,890	26,771	19,816
5,505	3,218	8,356	6,972	1,393	1,610
1,713	2,565	-	-	-	-
-	-	6,788	7,565	-	-
3,672	21,101	2,314	8,824	1,564	8,440
-	-	3,003	2,067	-	-
1,540	970	16,747	16,688	12,883	12,954
43,584	43,797	16,296	16,296	69,066	69,066
2,021	366	777	141	1,088	197
2,021	2,529	1,684	1,006	125	1,793
<u>196,141</u>	<u>165,459</u>	<u>85,994</u>	<u>91,867</u>	<u>130,678</u>	<u>128,258</u>
\$ 33,087	\$ 37,134	\$ 5,045	\$(3,159)	\$(32,935)	\$(32,545)
=====	=====	=====	=====	=====	=====

TOWN OF MELVILLE, LOUISIANA

Schedule of Interest-Bearing Deposits - All Funds
September 30, 1996

	<u>Term</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
Special Revenue Funds:				
Insured money market - 1989 Sales Tax Fund	N/A	N/A	Various	<u>\$ 79,994</u>
Debt Service Funds:				
Public Improvement Bonds 03/01/72 - Certificate of deposit	180 days	11/05/96	5.00%	14,468
General Obligation Bond 08/14/91 Fund - insured money market	N/A	N/A	Various	<u>9,280</u>
Total Debt Service Funds				<u>\$ 23,748</u>
Utility Fund:				
Insured money market - Operating - unrestricted	N/A	N/A	Various	5,907
Meter deposits	N/A	N/A	Various	12,933
Gas Revenue Bond and Interest Sinking Fund	N/A	N/A	Various	67,921
Sewer Revenue Bond and Interest Sinking Fund	N/A	N/A	Various	20,006
Gas Reserve Fund	N/A	N/A	Various	31,722
Sewer Reserve Fund	N/A	N/A	Various	22,515
Gas Depreciation and Contingency Fund	N/A	N/A	Various	31,618
Sewer Depreciation and Contingency Fund	N/A	N/A	Various	21,743
Sewer Arbitration Fund	N/A	N/A	Various	6,491
Certificates of deposit -				
Unrestricted	180 days	12/11/96	4.60%	22,416
Unrestricted	180 days	11/05/96	5.00%	29,056
Meter deposits	180 days	11/05/96	5.00%	<u>21,823</u>
Total - Utility Fund				<u>294,151</u>
Total - all funds				<u>\$397,893</u>

TOWN OF MELVILLE, LOUISIANA
Special Revenue Fund
1982 Sales Tax Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget (GAAP Basis) and Actual
Year Ended September 30, 1996
With Comparative Actual Amounts for Year Ended September 30, 1995

	1996		Variance - Favorable	1995
	Budget	Actual	(Unfavorable)	Actual
Revenues:				
Taxes - sales tax	\$ 51,000	\$ 53,832	\$ 2,832	\$ 50,969
Miscellaneous	<u>4,500</u>	<u>3,939</u>	<u>(561)</u>	<u>11,395</u>
Total revenues	<u>55,500</u>	<u>57,771</u>	<u>2,271</u>	<u>62,364</u>
Expenditures:				
Current -				
General government	10,750	8,108	2,642	10,237
Public safety:				
Police	43,650	43,153	497	37,957
Rescue unit and fire	24,400	23,756	644	22,410
Highways and streets	3,500	4,058	(558)	3,165
Culture and recreation	500	425	75	250
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,755</u>
Total expenditures	<u>82,800</u>	<u>79,500</u>	<u>3,300</u>	<u>76,774</u>
Deficiency of revenues over expenditures	<u>(27,300)</u>	<u>(21,729)</u>	<u>5,571</u>	<u>(14,410)</u>
Other financing sources:				
Operating transfers in -				
Utility fund	28,000	23,000	(5,000)	19,260
Rescue unit	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,524</u>
Total other financing sources	<u>28,000</u>	<u>23,000</u>	<u>(5,000)</u>	<u>20,784</u>
Excess of revenues and other sources over expenditures	700	1,271	571	6,374
Fund balances, beginning	<u>11,004</u>	<u>11,004</u>	<u>-</u>	<u>4,630</u>
Fund balances, ending	<u>\$ 11,704</u>	<u>\$ 12,275</u>	<u>\$ 571</u>	<u>\$ 11,004</u>

TOWN OF MELVILLE, LOUISIANA

Notes to Financial Statements (Continued)

Governmental Fund Types -

General Fund

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.

Special Revenue Funds

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

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Proprietary Fund Type -

Enterprise Fund

Enterprise funds are 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's enterprise fund is the Utility Fund.

Account Groups -

General Fixed Assets Account Group

This is not a fund but rather an account group that is used to account for general fixed assets acquired principally for general purposes and excludes fixed assets in the Enterprise Fund.

TOWN OF MELVILLE, LOUISIANA
General Fund

Statement of Expenditures Compared to Budget (GAAP Basis) (Continued)
Year Ended September 30, 1996
With Comparative Actual Amounts for Year Ended September 30, 1995

	1996		Variance - Favorable (Unfavorable)	1995 Actual
	<u>Budget</u>	<u>Actual</u>		
Highways and streets:				
Salaries	\$ 4,950	\$ 5,968	\$ (1,018)	\$ 3,998
Insurance	1,750	1,253	497	1,609
Repairs and maintenance	16,700	18,907	(2,207)	23,152
Equipment maintenance	1,500	2,055	(555)	1,586
Miscellaneous	<u>1,000</u>	<u>1,124</u>	<u>(124)</u>	<u>976</u>
Total highways and streets	<u>25,900</u>	<u>29,307</u>	<u>(3,407)</u>	<u>31,321</u>
Culture and recreation:				
Supplies	3,500	2,545	955	1,185
Repairs and maintenance	<u>-</u>	<u>-</u>	<u>-</u>	<u>251</u>
Total culture and recreation	<u>3,500</u>	<u>2,545</u>	<u>955</u>	<u>1,436</u>
Debt service:				
Principal	1,428	1,428	-	-
Interest	<u>804</u>	<u>800</u>	<u>4</u>	<u>-</u>
Total debt service	<u>2,232</u>	<u>2,228</u>	<u>4</u>	<u>-</u>
Capital outlay:				
General government -				
Equipment	7,157	8,692	(1,535)	1,656
Heliport	-	-	-	529
Civic center	25,000	25,448	(448)	24,037
Land	-	7,000	(7,000)	-
Public safety -				
Police department:				
Automobile	-	-	-	19,877
Equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,054</u>
Total capital outlay	<u>32,157</u>	<u>41,140</u>	<u>(8,983)</u>	<u>48,153</u>
Total expenditures	<u>\$186,412</u>	<u>\$201,991</u>	<u>\$(15,579)</u>	<u>\$186,544</u>

TOWN OF MELVILLE, LOUISIANA

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

The Town of Melville was incorporated in 1911 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 Melville 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 industry audit guide, Audits of State and Local Governmental Units.

The following is a summary of certain significant accounting policies:

A. Financial Reporting Entity

This report includes all funds and account groups which are controlled by or dependent on the Town executive and legislative branches (the Mayor and Board of Aldermen). Control by or dependence on the Town was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

Based on the foregoing criteria, there are no component unit governmental organizations that are included as part of the Town.

B. Fund Accounting

The accounts of the Town of Melville are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Account groups are a reporting device used to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The Town has the following fund types and account groups:

This report is intended for the information of the Town's elected officials. However, this report is a matter of public record and its distribution is not limited.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Lafayette, Louisiana
December 18, 1996

TOWN OF MELVILLE, LOUISIANA

Comparative Statement of Cash Flows
 Proprietary Fund Type
 Years Ended September 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Cash flows from operating activities:		
Operating income	\$ <u>5,197</u>	\$ <u>1,430</u>
Adjustments to reconcile operating income to net cash provided by operating activities -		
Depreciation	128,946	129,159
Changes in current assets and liabilities:		
Decrease (increase) in accounts receivable	807	(2,215)
Decrease (increase) in other receivables	5,948	(5,750)
Increase in due from 1989 Sales Tax Fund	(3,595)	(3,603)
(Decrease) increase in cash overdraft	(3,984)	4,244
(Decrease) increase in accounts payable	4,645	(1,895)
(Decrease) increase in due to General Fund	13,866	(5,500)
(Decrease) increase in due to 1982 Sales Tax Fund	3,754	(4,430)
Increase in due to debt service	3,603	910
Decrease in other accrued liabilities	(162)	(2,059)
Increase in customers' deposits	<u>3,507</u>	<u>2,284</u>
Total adjustments	<u>157,335</u>	<u>111,145</u>
Net cash provided by operating activities	<u>162,532</u>	<u>112,575</u>
Cash flows from noncapital financing activities:		
Transfers to General Fund	(88,000)	(91,486)
Transfers to 1982 Sales Tax Fund	(23,000)	(19,260)
Litigation settlement	-	85,873
Miscellaneous	<u>(42)</u>	<u>-</u>
Net cash used for noncapital financing activities	<u>(111,042)</u>	<u>(24,873)</u>
Cash flows from capital and related financing activities:		
Interest paid on revenue bonds	(74,790)	(77,547)
Principal paid on revenue bonds	<u>(34,000)</u>	<u>(32,000)</u>
Net cash used by capital and related financing activities	<u>(108,790)</u>	<u>(109,547)</u>

(continued)

DARNALL, SIKES, KOLDER, FREDERICK & RAINNEY

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

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The Honorable James Fontenot, Mayor
and Members of the Board of Aldermen
Town of Melville, Louisiana

We have audited the general purpose financial statements of the Town of Melville, Louisiana, as of and for the year ended September 30, 1996, and have issued our report thereon dated December 18, 1996.

We have also audited the Town of Melville, Louisiana's compliance with the requirements governing financial reporting that are applicable to its major federal financial assistance program, which is identified in the accompanying schedule of federal financial assistance for the year ended September 30, 1996. The elected officials of the Town of Melville, Louisiana are responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town of Melville, Louisiana's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures did not disclose any immaterial instances of noncompliance with the requirements referred to above.

In our opinion, the Town of Melville, Louisiana, complied, in all material respects, with the financial reporting requirements that are applicable to its major federal financial assistance program for the year ended September 30, 1996.

<u>Debt Service Funds</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
\$ 15,500	\$ 15,663	\$ 163
-	-	-
-	-	-
-	-	-
<u>6,990</u>	<u>6,909</u>	<u>(81)</u>
<u>22,490</u>	<u>22,572</u>	<u>82</u>
-	500	(500)
-	-	-
-	-	-
-	-	-
23,000	24,956	(1,956)
34,090	31,405	2,685
-	-	-
<u>57,090</u>	<u>56,861</u>	<u>229</u>
<u>(34,600)</u>	<u>(34,289)</u>	<u>311</u>
43,239	43,239	-
-	(2,943)	(2,943)
-	-	-
<u>43,239</u>	<u>40,296</u>	<u>(2,943)</u>
8,639	6,007	(2,632)
<u>44,370</u>	<u>44,370</u>	<u>-</u>
<u>\$ 53,009</u>	<u>\$ 50,377</u>	<u>\$(2,632)</u>
=====	=====	=====

TOWN OF MELVILLE, LOUISIANA

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -
All Governmental Fund Types
Year Ended September 30, 1996

	General	Special Revenue	Debt Service	Totals (Memorandum Only)	
				1996	1995
Revenues:					
Taxes	\$ 17,008	\$119,797	\$ 15,663	\$152,468	\$ 145,384
Licenses and permits	19,870	-	-	19,870	16,258
Intergovernmental	45,658	-	-	45,658	25,688
Fines and forfeits	7,308	-	-	7,308	4,769
Miscellaneous	17,195	5,256	6,909	29,360	26,871
Total revenues	<u>107,039</u>	<u>125,053</u>	<u>22,572</u>	<u>254,664</u>	<u>218,970</u>
Expenditures:					
Current -					
General government	79,401	8,766	500	88,667	76,575
Public safety -					
Police	47,370	43,153	-	90,523	79,676
Rescue unit and fire	-	23,756	-	23,756	22,410
Highways and streets	29,307	4,058	-	33,365	34,486
Culture and recreation	2,545	425	-	2,970	1,686
Debt service -					
Principal retirement	1,428	-	24,956	26,384	24,769
Interest and fiscal charges	800	-	31,405	32,205	31,564
Capital outlay	41,140	-	-	41,140	50,908
Total expenditures	<u>201,991</u>	<u>80,158</u>	<u>56,861</u>	<u>339,010</u>	<u>322,074</u>
Excess (deficiency) of revenues over expenditures	<u>(94,952)</u>	<u>44,895</u>	<u>(34,289)</u>	<u>(84,346)</u>	<u>(103,104)</u>
Other financing sources (uses):					
Operating transfers in	90,943	23,000	43,239	157,182	182,813
Operating transfers out	-	(43,239)	(2,943)	(46,182)	(72,067)
Capital lease	5,157	-	-	5,157	-
Total other financing sources (uses)	<u>96,100</u>	<u>(20,239)</u>	<u>40,296</u>	<u>116,157</u>	<u>110,746</u>
Excess of revenues and other sources over expenditures and other uses	1,148	24,656	6,007	31,811	7,642
Fund balances, beginning	<u>25,097</u>	<u>67,020</u>	<u>44,370</u>	<u>136,487</u>	<u>128,845</u>
Fund balances, ending	<u>\$ 26,245</u> =====	<u>\$ 91,676</u> =====	<u>\$ 50,377</u> =====	<u>\$168,298</u> =====	<u>\$ 136,487</u> =====

The accompanying notes are an integral part of this statement.

TOWN OF MELVILLE, LOUISIANA

Combined Balance Sheet - All Fund Types and Account Groups (Continued)
September 30, 1996

	Governmental Fund Types			Proprietary Fund Type		Account Groups			Totals	
	General	Special Revenue	Debt Service	Enterprise	Long-Term Debt	General Fixed Assets	General Long-Term Debt	(Memorandum Only)		
								1996	1995	
LIABILITIES, FUND EQUITY AND OTHER CREDITS										
Liabilities:										
Cash overdraft	\$ -	\$ -	\$ -	\$ 260	\$ -	\$ -	\$ -	\$ 260	\$ 4,244	
Accounts payable	5,448	1,800	500	11,567	-	-	-	19,315	10,245	
Accrued legal fees	-	-	-	-	-	-	-	-	29,734	
Other accrued liabilities	1,252	888	-	2,460	-	-	-	4,600	4,954	
Due to other funds	-	25,989	2,296	24,134	-	-	-	52,419	39,895	
Payable from restricted assets -										
Revenue bonds payable	-	-	-	35,000	-	-	-	35,000	34,000	
Accrued interest payable	-	-	-	24,776	-	-	-	24,776	25,794	
Customers' deposits	-	-	-	23,555	-	-	-	23,555	20,048	
General obligation bonds payable	-	-	-	-	-	-	489,003	489,003	513,959	
Capital lease payable	-	-	-	-	-	-	3,729	3,729	-	
Revenue bonds payable	-	-	-	1,227,000	-	-	-	1,227,000	1,262,000	
Total liabilities	<u>6,700</u>	<u>28,677</u>	<u>2,796</u>	<u>1,348,752</u>	<u>492,732</u>	<u>-</u>	<u>-</u>	<u>1,879,657</u>	<u>1,944,873</u>	
Fund equity and other credits:										
Contributed capital	-	-	-	2,565,466	-	-	-	2,565,466	2,656,387	
Investment in general fixed assets	-	-	-	-	-	654,679	-	654,679	613,539	
Retained earnings -										
Reserved for revenue bond retirement	-	-	-	135,749	-	-	-	135,749	137,327	
Unreserved	-	-	-	277,993	-	-	-	277,993	326,869	
Total retained earnings	-	-	-	<u>413,742</u>	-	-	-	<u>413,742</u>	<u>464,196</u>	
Fund balances -										
Designated for fire department	-	10,343	-	-	-	-	-	10,343	9,148	
Reserved for debt service	-	-	32,333	-	-	-	-	32,333	28,658	
Unreserved:										
Undesignated	<u>26,245</u>	<u>81,333</u>	<u>18,044</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,622</u>	<u>98,681</u>	
Total fund balances	<u>26,245</u>	<u>91,676</u>	<u>50,377</u>	<u>2,979,208</u>	<u>654,679</u>	<u>-</u>	<u>-</u>	<u>3,802,185</u>	<u>3,870,609</u>	
Total fund equity and other credits	<u>\$32,945</u>	<u>\$120,353</u>	<u>\$53,173</u>	<u>\$4,327,960</u>	<u>\$654,679</u>	<u>\$-</u>	<u>\$492,732</u>	<u>\$5,681,842</u>	<u>\$5,815,482</u>	

The accompanying notes are an integral part of this statement.

TOWN OF MELVILLE, LOUISIANA

Combined Balance Sheet - All Fund Types and Account Groups
September 30, 1996

	Governmental Fund Types			Proprietary Fund Type		Account Groups			Totals		
	General	Special Revenue	Debt Service	Enterprise	Long-Term Debt	General		Totals	(Memorandum Only)		
						Fixed Assets	Long-Term Debt		1996	1995	
ASSETS AND OTHER DEBITS											
Cash	\$ 9,107	\$ 24,101	\$ 19,946	\$ 2,830	\$ -	\$ -	\$ -	\$ 55,984	\$ 53,224		
Interest-bearing deposits	-	79,994	23,748	75,071	-	-	-	178,813	216,506		
Receivables:											
Taxes	922	-	1,073	-	-	-	-	1,995	1,381		
Accounts	-	-	-	24,383	-	-	-	24,383	25,190		
Accrued interest	-	-	289	1,325	-	-	-	1,614	1,652		
Federal grant	1,167	-	-	-	-	-	-	1,167	-		
Other	903	-	-	5,252	-	-	-	6,155	11,200		
Due from other funds	20,846	16,258	8,117	7,198	-	-	-	52,419	39,895		
Restricted assets:											
Interest-bearing deposits	-	-	-	219,080	-	-	-	219,080	217,169		
Land	-	-	-	-	-	89,159	-	89,159	82,159		
Buildings	-	-	-	-	-	390,207	-	390,207	364,759		
Equipment	-	-	-	-	-	175,313	-	175,313	166,621		
Utility property, plant and equipment	-	-	-	5,324,301	-	-	-	5,324,301	5,324,301		
Accumulated depreciation	-	-	-	(1,331,480)	-	-	-	(1,331,480)	(1,202,534)		
Other debits:											
Amount available in debt service funds	-	-	-	-	-	-	32,333	32,333	28,658		
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	-	460,399	460,399	485,301		
Total assets and other debits	\$32,945	\$120,353	\$53,173	\$ 4,327,960	\$492,732	\$654,679	\$ 5,681,842	\$ 5,681,842	\$ 5,815,482		

(continued)

**GENERAL PURPOSE FINANCIAL STATEMENTS
(COMBINED STATEMENTS - OVERVIEW)**

presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Town of Melville, Louisiana. Such information, except for the portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

The financial information for the preceding year which is included for comparative purposes was taken from the financial report for that year in which we expressed an unqualified opinion on the general purpose financial statements of the Town of Melville, Louisiana.

Darnall, Sikes, Kolder, Frederick & Rainey
A Corporation of Certified Public Accountants

Lafayette, Louisiana
December 18, 1996

DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

(A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS)

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INDEPENDENT AUDITOR'S REPORT

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The Honorable James Fontenot, Mayor
and Members of the Board of Aldermen
Town of Melville, Louisiana

We have audited the accompanying general purpose financial statements of the Town of Melville, Louisiana, as of and for the year ended September 30, 1996, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town's elected officials. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and the provisions of the Office of Management and Budget Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Melville, Louisiana, as of September 30, 1996, and the results of its operations and the cash flows of its proprietary fund type for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated December 18, 1996 on our consideration of the Town of Melville's internal control structure and a report dated December 18, 1996 on the Town of Melville's compliance with laws and regulations.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as "Supplemental Information" in the table of contents is

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The Honorable James Fontenot, Mayor
and Members of the Board of Aldermen
Town of Melville, Louisiana

We have completed our audit of the financial statements of the Town of Melville, Louisiana as of and for the year ended September 30, 1996, and submit the following suggestions for your information and consideration relative to improving the internal controls and financial practices of the Town:

- (1) Collection efforts should be increased to ensure all ad valorem taxes due to the Town are collected in a timely manner.

The following recommendations were included in our management letter for the prior year but are mentioned again for reemphasis:

- (2) Utility Fund accounts receivable should be reviewed on a monthly basis to identify those customers whose service should be disconnected due to nonpayment.
- (3) Proper authorization should be obtained prior to charging off uncollectible Utility Fund accounts receivable.
- (4) Consideration should be given to the possibility of increasing sewer and/or water rates and/or reducing costs in the sewer and water department in order to eliminate operating at a deficit in these departments.

We would like to express our appreciation to you and your office staff for the courtesies and assistance rendered to us during the performance of our audit. Should you have any questions or need assistance in implementing our recommendations, please feel free to contact us.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Lafayette, Louisiana
December 18, 1996

MEMBER OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
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TOWN OF MELVILLE, LOUISIANA

Financial Report

Year Ended September 30, 1996

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

Release Date APR 16 1997

TOWN OF MELVILLE, LOUISIANA
 Schedule of Insurance in Force
 (Unaudited)
 September 30, 1996

<u>Description of Coverage</u>	<u>Coverage Amounts</u>
Workmen's Compensation - Employer's liability	\$100,000
Surety Bonds -	
Treasurer	181,000
Town clerk	181,000
Assistant clerk	181,000
Mayor	181,000
Mayor Pro-Tem	181,000
Fire, Extended Coverage, Blanket Policy: All Town buildings and contents	1,171,500
Comprehensive Liability and Collision: Fire trucks, police car, rescue unit, and utility vehicle	350,000
Commercial General Liability Policy	500,000

TOWN OF MELVILLE, LOUISIANA

Comparative Statement of Cash Flows (Continued)
 Proprietary Fund Type
 Years Ended September 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Cash flows from investing activities:		
Purchase of interest-bearing deposits	\$(152,038)	\$(220,711)
Proceeds from the maturities of interest-bearing deposits	164,144	248,809
Interest received on interest-bearing deposits	<u>8,350</u>	<u>10,015</u>
Net cash provided by investing activities	<u>20,456</u>	<u>38,113</u>
 Net increase (decrease) in cash and cash equivalents	 (36,844)	 16,268
 Cash and cash equivalents, beginning of period	 <u>260,530</u>	 <u>244,262</u>
 Cash and cash equivalents, end of period	 <u>\$ 223,686</u>	 <u>\$ 260,530</u>
 Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:		
 Cash and cash equivalents, beginning of period -		
Interest-bearing deposits - unrestricted	\$ 128,762	\$ 161,633
Interest-bearing deposits - restricted	217,169	196,128
Less: Certificates of deposit with a maturity over three months	<u>(85,401)</u>	<u>(113,499)</u>
Total cash and cash equivalents	<u>260,530</u>	<u>244,262</u>
 Cash and cash equivalents, end of period -		
Cash-unrestricted	2,830	-
Interest-bearing deposits - unrestricted	75,071	128,762
Interest-bearing deposits - restricted	219,080	217,169
Less: Certificates of deposit with a maturity over three months	<u>(73,295)</u>	<u>(85,401)</u>
Total cash and cash equivalents	<u>223,686</u>	<u>260,530</u>
 Net increase (decrease)	 <u>\$ (36,844)</u>	 <u>\$ 16,268</u>

The accompanying notes are an integral part of this statement.

TOWN OF MELVILLE, LOUISIANA
Debt Service Fund
General Obligation Bonds 08/14/91 Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget (GAAP Basis) and Actual
Year Ended September 30, 1996
With Comparative Actual Amounts for Year Ended September 30, 1995

	1996		Variance -	
	Budget	Actual	Favorable	1995
			(Unfavorable)	Actual
Revenues:				
Taxes - ad valorem	\$15,500	\$15,663	\$ 163	\$15,100
Interest	<u>300</u>	<u>325</u>	<u>25</u>	<u>331</u>
Total revenues	<u>15,800</u>	<u>15,988</u>	<u>188</u>	<u>15,431</u>
Expenditures:				
Debt service -				
Principal retirement	5,000	5,316	(316)	5,392
Interest and fiscal charges	<u>9,000</u>	<u>8,062</u>	<u>938</u>	<u>7,985</u>
Total expenditures	<u>14,000</u>	<u>13,378</u>	<u>622</u>	<u>13,377</u>
Excess of revenues over expenditures	1,800	2,610	810	2,054
Fund balances, beginning	<u>7,743</u>	<u>7,743</u>	<u>-</u>	<u>5,689</u>
Fund balances, ending	<u>\$ 9,543</u>	<u>\$10,353</u>	<u>\$ 810</u>	<u>\$ 7,743</u>

DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS

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The Honorable James Fontenot, Mayor
and Members of the Board of Aldermen
Town of Melville, Louisiana

We have audited the general purpose financial statements of the Town of Melville, Louisiana, as of and for the year ended September 30, 1996, and have issued our report thereon dated December 18, 1996.

We have applied procedures to test the Town of Melville, Louisiana's compliance with the following requirements applicable to its federal financial assistance program, which is identified in the schedule of federal financial assistance, for the year ended September 30, 1996:

Political activity
Civil rights
Cash management
Administrative requirements
Allowable costs/cost principles
Federal financial reports

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Single Audits of State and Local Governments. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Town of Melville, Louisiana's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

Material instances of noncompliance consist of failures to follow the general requirements that caused us to conclude that the misstatements resulting from those failures are material to the general purpose financial statements. The results of our tests of compliance disclosed material instances of noncompliance that are described in the accompanying Schedule of Findings and Questioned Costs.

We considered these material instances of noncompliance in forming our opinion on whether the Town of Melville, Louisiana's 1996 general purpose financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated December 18, 1996, on those financial statements.

MEMBER OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

TOWN OF MELVILLE, LOUISIANA
Enterprise Fund
Utility Fund

Comparative Statement of Operating Expenses by Department
Years Ended September 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Gas department:		
Salaries	\$ 39,900	\$ 31,825
Payroll taxes	3,591	2,928
Natural gas purchases	82,026	44,746
Repairs and maintenance	10,568	11,414
Insurance	5,505	3,218
Office expense	1,713	2,565
Professional fees	3,672	21,101
Utilities	1,540	970
Depreciation	43,584	43,797
Bad debts	2,021	366
Miscellaneous	<u>2,021</u>	<u>2,529</u>
Total gas department	<u>\$196,141</u>	<u>\$165,459</u>
 Water department:		
Salaries	\$ 19,950	\$ 15,013
Payroll taxes	1,795	1,405
Repairs and maintenance	8,284	15,890
Insurance	8,356	6,972
Supplies	6,788	7,565
Professional fees	2,314	8,824
Telephone	3,003	2,067
Utilities	16,747	16,688
Depreciation	16,296	16,296
Bad debts	777	141
Miscellaneous	<u>1,684</u>	<u>1,006</u>
Total water department	<u>\$ 85,994</u>	<u>\$ 91,867</u>
 Sewer department:		
Salaries	\$ 16,881	\$ 13,211
Payroll taxes	907	1,171
Repairs and maintenance	26,771	19,816
Insurance	1,393	1,610
Professional fees	1,564	8,440
Utilities	12,883	12,954
Depreciation	69,066	69,066
Bad debts	1,088	197
Miscellaneous	<u>125</u>	<u>1,793</u>
Total sewer department	<u>\$130,678</u>	<u>\$128,258</u>

TOWN OF MELVILLE, LOUISIANA
Enterprise Fund
Utility Fund

Comparative Statement of Revenues, Expenses, and Changes in Retained Earnings
Years Ended September 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Operating revenues:		
Charges for services -		
Gas sales	\$ 186,004	\$ 162,566
Water sales	74,456	73,254
Sewer sales	95,124	94,206
Delinquent charges	7,129	4,843
Miscellaneous -		
Slemco franchise	53,259	51,405
Other sources	<u>2,038</u>	<u>740</u>
Total operating revenues	<u>418,010</u>	<u>387,014</u>
Operating expenses:		
Gas department expenses	196,141	165,459
Water department expenses	85,994	91,867
Sewer department expenses	<u>130,678</u>	<u>128,258</u>
Total operating expenses	<u>412,813</u>	<u>385,584</u>
Operating income	<u>5,197</u>	<u>1,430</u>
Nonoperating revenues (expenses):		
Litigation settlement	-	85,873
Interest income	8,508	9,819
Interest expense	(73,772)	(76,567)
Miscellaneous	<u>29,692</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(35,572)</u>	<u>19,125</u>
Income (loss) before operating transfers	(30,375)	20,555
Operating transfers:		
Operating transfers out	<u>(111,000)</u>	<u>(110,746)</u>
Net loss	(141,375)	(90,191)
Add: Depreciation on fixed assets acquired by federal grant revenues externally restricted for capital acquisitions and construction that reduces contributed capital	<u>90,921</u>	<u>90,921</u>
Increase (decrease) in retained earnings	(50,454)	730
Retained earnings, beginning	<u>464,196</u>	<u>463,466</u>
Retained earnings, ending	<u>\$ 413,742</u>	<u>\$ 464,196</u>

TOWN OF MELVILLE, LOUISIANA
Enterprise Fund
Utility Fund

Comparative Balance Sheet
September 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
ASSETS		
Current assets:		
Cash	\$ 2,830	\$ -
Interest-bearing deposits	75,071	128,762
Accounts receivable	24,383	25,190
Accrued interest receivable	1,325	1,167
Other receivables	5,252	11,200
Due from other funds	<u>7,198</u>	<u>3,603</u>
Total current assets	<u>116,059</u>	<u>169,922</u>
Restricted assets:		
Interest-bearing deposits -		
Gas bond and interest sinking fund	67,921	73,673
Sewer bond and interest sinking fund	20,006	27,230
Gas bond reserve fund	31,722	29,298
Sewer bond reserve fund	22,515	19,205
Gas bond depreciation and contingency fund	31,618	29,217
Sewer bond depreciation and contingency fund	21,743	18,498
Customers' deposits	<u>23,555</u>	<u>20,048</u>
Total restricted assets	<u>219,080</u>	<u>217,169</u>
Property, plant and equipment:		
Property, plant and equipment, at cost, net of accumulated depreciation (1996 \$1,331,480; 1995 \$1,202,534)	<u>3,992,821</u>	<u>4,121,767</u>
Total assets	<u>\$4,327,960</u>	<u>\$4,508,858</u>

	<u>1996</u>	<u>1995</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Current liabilities (payable from current assets) -		
Cash overdraft	\$ 260	\$ 4,244
Accounts payable	11,567	6,923
Accrued legal fees	-	29,734
Due to other funds	24,134	2,910
Accrued liabilities	<u>2,460</u>	<u>2,622</u>
Total current liabilities (payable from current assets)	<u>38,421</u>	<u>46,433</u>
Current liabilities (payable from restricted assets) -		
Revenue bonds payable	35,000	34,000
Accrued interest payable	24,776	25,794
Customers' deposits	<u>23,555</u>	<u>20,048</u>
Total current liabilities (payable from restricted assets)	<u>83,331</u>	<u>79,842</u>
Long-term liabilities:		
Revenue bonds payable	<u>1,227,000</u>	<u>1,262,000</u>
Total liabilities	<u>1,348,752</u>	<u>1,388,275</u>
Fund equity:		
Contributed capital -		
Municipality	72,451	72,451
Federal and state grants, net of accumulated amortization (1996 \$737,892; 1995 \$646,971)	<u>2,493,015</u>	<u>2,583,936</u>
Total contributed capital	<u>2,565,466</u>	<u>2,656,387</u>
Retained earnings -		
Reserved for revenue bond retirement	135,749	137,327
Unreserved	<u>277,993</u>	<u>326,869</u>
Total retained earnings	<u>413,742</u>	<u>464,196</u>
Total fund equity	<u>2,979,208</u>	<u>3,120,583</u>
Total liabilities and fund equity	<u>\$4,327,960</u>	<u>\$4,508,858</u>

TOWN OF MELVILLE, LOUISIANA
Enterprise Fund
Utility Fund

Comparative Statement of Cash Flows (Continued)
Years Ended September 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Cash flows from investing activities:		
Purchase of interest-bearing deposits	\$(152,038)	\$(220,711)
Proceeds from the maturities of interest-bearing deposits	164,144	248,809
Interest received on interest-bearing deposits	<u>8,350</u>	<u>10,015</u>
Net cash provided by investing activities	<u>20,456</u>	<u>38,113</u>
Net increase (decrease) in cash and cash equivalents	(36,844)	16,268
Cash and cash equivalents, beginning of period	<u>260,530</u>	<u>244,262</u>
Cash and cash equivalents, end of period	<u>\$ 223,686</u>	<u>\$ 260,530</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:		
Cash and cash equivalents, beginning of period -		
Interest-bearing deposits - unrestricted	\$ 128,762	\$ 161,633
Interest-bearing deposits - restricted	217,169	196,128
Less: Certificates of deposit with a maturity over three months	<u>(85,401)</u>	<u>(113,499)</u>
Total cash and cash equivalents	<u>260,530</u>	<u>244,262</u>
Cash and cash equivalents, end of period -		
Cash-unrestricted	2,830	-
Interest-bearing deposits - unrestricted	75,071	128,762
Interest-bearing deposits - restricted	219,080	217,169
Less: Certificates of deposit with a maturity over three months	<u>(73,295)</u>	<u>(85,401)</u>
Total cash and cash equivalents	<u>223,686</u>	<u>260,530</u>
Net increase (decrease)	<u>\$ (36,844)</u>	<u>\$ 16,268</u>

TOWN OF MELVILLE, LOUISIANA
Debt Service Fund
Sales Tax Bonds 08/14/91 Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget (GAAP Basis) and Actual
Year Ended September 30, 1996

With Comparative Actual Amounts for Year Ended September 30, 1995

	1996		Variance - Favorable	1995
	<u>Budget</u>	<u>Actual</u>	(Unfavorable)	<u>Actual</u>
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Debt service -				
Principal retirement	17,000	18,640	(1,640)	18,377
Interest and fiscal charges	<u>25,000</u>	<u>22,534</u>	<u>2,466</u>	<u>22,798</u>
Total expenditures	<u>42,000</u>	<u>41,174</u>	<u>826</u>	<u>41,175</u>
Deficiency of revenues over expenditures	(42,000)	(41,174)	826	(41,175)
Other financing source:				
Transfer from 1989 Sales Tax Fund	<u>43,239</u>	<u>43,239</u>	<u>-</u>	<u>43,543</u>
Excess of revenues and other source over expenditures	1,239	2,065	826	2,368
Fund balances, beginning	<u>18,915</u>	<u>18,915</u>	<u>-</u>	<u>16,547</u>
Fund balances, ending	<u>\$ 20,154</u>	<u>\$ 20,980</u>	<u>\$ 826</u>	<u>\$ 18,915</u>

TOWN OF MELVILLE, LOUISIANA
 Enterprise Fund
 Utility Fund

Schedule of Changes in Assets Restricted for Revenue Bond Debt Service
 Year Ended September 30, 1996

	Gas Bond and Interest Sinking Fund	Sewer Bond and Interest Sinking Fund	Gas Bond Reserve Fund	Sewer Bond Reserve Fund	Gas Bond Depreciation and Contingency Fund	Sewer Bond Depreciation and Contingency Fund	Total
Interest-bearing deposits, October 1, 1995	\$ 73,673	\$27,230	\$29,298	\$19,205	\$29,217	\$18,498	\$197,121
Cash receipts:							
Transfers from operating account	36,050	57,660	1,810	2,890	1,790	2,840	103,040
Interest income	1,198	906	614	420	611	405	4,154
Total cash receipts	<u>37,248</u>	<u>58,566</u>	<u>2,424</u>	<u>3,310</u>	<u>2,401</u>	<u>3,245</u>	<u>107,194</u>
Total interest-bearing deposits available	110,921	85,796	31,722	22,515	31,618	21,743	304,315
Cash disbursements:							
Payment of FHA bonds principal and interest	<u>43,000</u>	<u>65,790</u>	-	-	-	-	<u>108,790</u>
Interest-bearing deposits, September 30, 1996	\$ 67,921	\$20,006	\$31,722	\$22,515	\$31,618	\$21,743	\$195,525

TOWN OF MELVILLE, LOUISIANA
Debt Service Fund
Public Improvement Bonds 03/01/72 Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget (GAAP Basis) and Actual
Year Ended September 30, 1996
With Comparative Actual Amounts for Year Ended September 30, 1995

	1996		Variance - Favorable	1995
	Budget	Actual	(Unfavorable)	Actual
Revenues:				
Miscellaneous -				
Post office rental	\$ 5,940	\$ 5,940	\$ -	\$ 5,940
Interest	<u>750</u>	<u>644</u>	<u>(106)</u>	<u>992</u>
Total revenues	<u>6,690</u>	<u>6,584</u>	<u>(106)</u>	<u>6,932</u>
Expenditures:				
Current -				
General government	-	500	(500)	1,800
Debt service -				
Principal retirement	1,000	1,000	-	1,000
Interest and fiscal charges	<u>90</u>	<u>809</u>	<u>(719)</u>	<u>781</u>
Total expenditures	<u>1,090</u>	<u>2,309</u>	<u>(1,219)</u>	<u>3,581</u>
Excess of revenues over expenditures	5,600	4,275	(1,325)	3,351
Other financing uses:				
Transfer to General Fund	<u>-</u>	<u>(2,943)</u>	<u>(2,943)</u>	<u>(17,000)</u>
Excess (deficiency) of revenues over expenditures and other uses	5,600	1,332	(4,268)	(13,649)
Fund balances, beginning	<u>17,712</u>	<u>17,712</u>	<u>-</u>	<u>31,361</u>
Fund balances, ending	<u>\$23,312</u>	<u>\$19,044</u>	<u>\$(4,268)</u>	<u>\$ 17,712</u>

TOWN OF MELVILLE, LOUISIANA
Debt Service Funds

Combining Balance Sheet
September 30, 1996
With Comparative Totals for September 30, 1995

	Public Improvement Bonds <u>03/01/72</u>	General Obligation Bonds <u>08/14/91</u>	Sales Tax Bonds <u>08/14/91</u>	Totals <u>1996</u>	<u>1995</u>
ASSETS					
Cash	\$ 5,877	\$ -	\$14,069	\$19,946	\$27,503
Interest-bearing deposits	14,468	9,280	-	23,748	35,628
Receivables:					
Ad valorem taxes	-	1,073	-	1,073	743
Accrued interest	289	-	-	289	485
Due from other funds	<u>910</u>	<u>-</u>	<u>7,207</u>	<u>8,117</u>	<u>910</u>
Total assets	<u>\$21,544</u>	<u>\$10,353</u>	<u>\$21,276</u>	<u>\$53,173</u>	<u>\$65,269</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 500	\$ -	\$ -	\$ 500	\$ -
Due to other funds	<u>2,000</u>	<u>-</u>	<u>296</u>	<u>2,296</u>	<u>20,899</u>
Total liabilities	<u>2,500</u>	<u>-</u>	<u>296</u>	<u>2,796</u>	<u>20,899</u>
Fund balances:					
Reserved for debt service	1,000	10,353	20,980	32,333	28,658
Unreserved, undesignated	<u>18,044</u>	<u>-</u>	<u>-</u>	<u>18,044</u>	<u>15,712</u>
Total fund balances	<u>19,044</u>	<u>10,353</u>	<u>20,980</u>	<u>50,377</u>	<u>44,370</u>
Total liabilities and fund balances	<u>\$21,544</u>	<u>\$10,353</u>	<u>\$21,276</u>	<u>\$53,173</u>	<u>\$65,269</u>

DEBT SERVICE FUNDS

Public Improvement Bonds 03/01/72 Fund - To accumulate monies for payment of the 1972 \$83,000 Public Improvement Municipal Building Bonds. Debt service is financed by the levy of a specific ad valorem tax and rental of the building to the United States Postal Service. On November 18, 1989, the levy of this specific ad valorem tax was rededicated to pay for the debt service requirements of a \$155,000 street improvement bond issue.

General Obligation Bonds 08/14/91 Fund - To accumulate monies for payment of the 1991 \$155,000 General Obligation Bonds. Debt service is financed by the levy of a specific ad valorem tax.

Sales Tax Bonds 08/14/91 Fund - To accumulate monies for payment of the 1991 \$450,000 Sales Tax Bonds. Debt service is financed from the 1989 Sales Tax Fund revenues.

TOWN OF MELVILLE, LOUISIANA
Special Revenue Fund
1989 Sales Tax Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget (GAAP Basis) and Actual
Year Ended September 30, 1996
With Comparative Actual Amounts for Year Ended September 30, 1995

	1996		Variance -	
	Budget	Actual	Favorable	1995
			(Unfavorable)	Actual
Revenues:				
Taxes - sales tax	\$ 63,500	\$ 65,965	\$2,465	\$ 62,295
Interest	<u>1,200</u>	<u>1,317</u>	<u>117</u>	<u>1,207</u>
Total revenues	64,700	67,282	2,582	63,502
Expenditures:				
Current -				
General government:				
Collection fees	<u>900</u>	<u>658</u>	<u>242</u>	<u>623</u>
Excess of revenues over expenditures	<u>63,800</u>	<u>66,624</u>	<u>2,824</u>	<u>62,879</u>
Other financing uses:				
Operating transfers out -				
General Fund	-	-	-	(10,000)
Sales Tax Bonds 08/14/91				
Fund	<u>(43,239)</u>	<u>(43,239)</u>	<u>-</u>	<u>(43,543)</u>
Total other financing uses	<u>(43,239)</u>	<u>(43,239)</u>	<u>-</u>	<u>(53,543)</u>
Excess of revenues over expenditures and other uses	20,561	23,385	2,824	9,336
Fund balances, beginning	<u>56,016</u>	<u>56,016</u>	<u>-</u>	<u>46,680</u>
Fund balances, ending	<u>\$ 76,577</u>	<u>\$ 79,401</u>	<u>\$2,824</u>	<u>\$ 56,016</u>

TOWN OF MELVILLE, LOUISIANA
Special Revenue Fund
1982 Sales Tax Fund

Statement of Expenditures Compared to Budget (GAAP Basis) (Continued)
Year Ended September 30, 1996
With Comparative Actual Amounts for Year Ended September 30, 1995

	1996		Variance - Favorable	1995
	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>	<u>Actual</u>
Highways and streets:				
Maintenance of streets -				
Materials	\$ 2,500	\$ 3,211	\$ (711)	\$ 2,805
Maintenance of equipment	<u>1,000</u>	<u>847</u>	<u>153</u>	<u>360</u>
Total highways and streets	<u>3,500</u>	<u>4,058</u>	<u>(558)</u>	<u>3,165</u>
Culture and recreation:				
Miscellaneous	<u>500</u>	<u>425</u>	<u>75</u>	<u>250</u>
Capital outlay:				
Police -				
Equipment	-	-	-	1,505
Highways and streets -				
Equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,250</u>
Total capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,755</u>
Total expenditures	<u>\$82,800</u>	<u>\$79,500</u>	<u>\$3,300</u>	<u>\$76,774</u>

TOWN OF MELVILLE, LOUISIANA
Special Revenue Fund
1982 Sales Tax Fund

Statement of Expenditures Compared to Budget (GAAP Basis)
Year Ended September 30, 1996
With Comparative Actual Amounts for Year Ended September 30, 1995

	<u>1996</u>		Variance -	
	<u>Budget</u>	<u>Actual</u>	Favorable	1995
			(Unfavorable)	<u>Actual</u>
General government:				
Professional fees	\$ 3,500	\$ 3,550	\$ (50)	\$ 3,450
Office expenditures	1,500	-	1,500	1,500
Repairs and maintenance	1,500	678	822	1,840
Collection fees	750	539	211	510
Utilities	3,000	3,341	(341)	2,577
Miscellaneous	<u>500</u>	<u>-</u>	<u>500</u>	<u>360</u>
Total general government	<u>10,750</u>	<u>8,108</u>	<u>2,642</u>	<u>10,237</u>
Public safety:				
Police department -				
Salaries	32,950	34,103	(1,153)	26,642
Payroll taxes	3,200	2,884	316	2,576
Insurance	1,000	835	165	934
Maintenance and supplies	3,500	2,427	1,073	2,136
Auto expenditures	2,500	2,754	(254)	5,345
Miscellaneous	<u>500</u>	<u>150</u>	<u>350</u>	<u>324</u>
Total police	<u>43,650</u>	<u>43,153</u>	<u>497</u>	<u>37,957</u>
Rescue unit and fire department -				
Insurance	15,000	15,877	(877)	14,911
Auto expenditures	1,950	1,828	122	1,860
Maintenance and supplies	<u>7,450</u>	<u>6,051</u>	<u>1,399</u>	<u>5,639</u>
Total rescue unit and fire	<u>24,400</u>	<u>23,756</u>	<u>644</u>	<u>22,410</u>

(continued)

ENTERPRISE FUND

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

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Independent Auditor's Report on Internal Control Structure Based on an Audit of General Purpose Financial Statements Performed in Accordance with Government Auditing Standards

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The Honorable James Fontenot, Mayor
and Members of the Board of Aldermen
Town of Melville, Louisiana

We have audited the general purpose financial statements of the Town of Melville, Louisiana, as of and for the year ended September 30, 1996, and have issued our report thereon dated December 18, 1996.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The elected officials of the Town of Melville, Louisiana are responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by officials are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide officials with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with officials' authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of the the Town of Melville, for the year ended September 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. Accordingly, we do not express such an opinion.

operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of the Town's elected officials. However, this report is a matter of public record, and its distribution is not limited.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Lafayette, Louisiana
December 18, 1996

in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any control structure, errors, irregularities or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

<u>Accounting Controls</u>	
Revenues/receipts Purchases/disbursements	
<u>Administrative Controls</u>	
<u>General Requirements</u>	<u>Specific Requirements</u>
Political activity Civil rights Cash management Administrative requirements Allowable costs/cost principles Federal financial reports	Types of services allowed or not allowed Reporting

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended September 30, 1996, the Town of Melville, Louisiana expended 96 percent of its federal financial assistance under, the following major federal financial assistance programs:

U. S. Department of Agriculture
Food Stamps

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements and general requirements that are applicable to the Town's major federal financial assistance program, which is identified in the accompanying schedule of federal financial assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or

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INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS

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The Honorable James Fontenot, Mayor
and Members of the Board of Aldermen
Town of Melville, Louisiana

We have audited the general purpose financial statements of the Town of Melville, Louisiana, as of and for the year ended September 30, 1996, and have issued our report thereon dated December 18, 1996. We have also audited the compliance of the Town of Melville, Louisiana, with requirements applicable to its major federal financial assistance program and have issued our report thereon dated December 18, 1996.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement and whether the Town of Melville, Louisiana, complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit for the year ended September 30, 1996, we considered the internal control structure of the Town, in order to determine our auditing procedures for the purpose of expressing our opinion on the Town's general purpose financial statements and on the compliance of the Town with requirements applicable to its major program and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the general purpose financial statements in a separate report dated December 18, 1996.

The elected officials of the Town of Melville, Louisiana are responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed

Recommendation:

The Town should enhance control procedures to ensure compliance with the Louisiana Local Government Budget Act in the future.

Response:

Procedures will be developed and implemented to ensure compliance with all aspects the Louisiana Local Government Budget Act.

Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, the Town of Melville complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Town had not complied, in all material respects, with those provisions.

This report is intended for the information of the Town's elected officials. However, this report is a matter of public record and its distribution is not limited.

Darnall, Sikes, Kolder, Frederick & Rainey
A Corporation of Certified Public Accountants

Lafayette, Louisiana
December 18, 1996

TOWN OF MELVILLE, LOUISIANA
Enterprise Fund
Utility Fund

Comparative Statement of Cash Flows
Years Ended September 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Cash flows from operating activities:		
Operating income	\$ 5,197	\$ 1,430
Adjustments to reconcile operating income to net cash provided by operating activities -		
Depreciation	128,946	129,159
Changes in current assets and liabilities:		
Decrease (increase) in accounts receivable	807	(2,215)
Decrease (increase) in other receivables	5,948	(5,750)
Increase in due from 1989 Sales Tax Fund	(3,595)	(3,603)
Decrease (increase) in cash overdraft	(3,984)	4,244
(Decrease) increase in accounts payable	4,645	(1,895)
(Decrease) increase in due to General Fund	13,866	(5,500)
(Decrease) increase in due to 1982 Sales Tax Fund	3,754	(4,430)
Increase in due to debt service funds	3,603	910
Decrease in other accrued liabilities	(162)	(2,059)
Increase in customers' deposits	3,507	2,284
Total adjustments	<u>157,335</u>	<u>111,145</u>
Net cash provided by operating activities	<u>162,532</u>	<u>112,575</u>
Cash flows from noncapital financing activities:		
Transfers to General Fund	(88,000)	(91,486)
Transfers to 1982 Sales Tax Fund	(23,000)	(19,260)
Litigation settlement	-	85,873
Miscellaneous	<u>(42)</u>	<u>-</u>
Net cash used for noncapital financing activities	<u>(111,042)</u>	<u>(24,873)</u>
Cash flows from capital and related financing activities:		
Interest paid on revenue bonds	(74,790)	(77,547)
Principal paid on revenue bonds	<u>(34,000)</u>	<u>(32,000)</u>
Net cash used by capital and related financing activities	<u>(108,790)</u>	<u>(109,547)</u>

(continued)

We noted a certain matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

Inadequate Segregation of Accounting Functions

Finding:

Due to the small number of employees, the Town did not have adequate segregation of functions within the accounting system.

Recommendation:

Based upon the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

Response:

No response is considered necessary.

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

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We believe the reportable condition described above is a material weakness.

We also noted other matters involving the internal control structure and its operations that we have reported to the elected officials of the Town of Melville, Louisiana in a separate letter dated December 18, 1996.

This report is intended for the information of the Town's elected officials. However, this report is a matter of public record and its distribution is not limited.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Lafayette, Louisiana
December 18, 1996

INTERNAL CONTROL AND COMPLIANCE

AND

OTHER GRANT INFORMATION

TOWN OF MELVILLE, LOUISIANA

Statement of General Long-Term Debt
 September 30, 1996
 With Comparative Totals for September 30, 1995

	Capital Lease Payable	Public Improvement Bonds 03/01/72	General Obligation Bonds 08/14/91	Sales Tax Bonds 08/14/91	Total 1996	Total 1995
AMOUNT AVAILABLE AND TO BE PROVIDED FOR THE RETIREMENT OF GENERAL LONG-TERM DEBT						
Amount available in debt service fund for debt retirement	\$ -	\$ 1,000	\$ 10,353	\$ 20,980	\$ 32,333	\$ 28,658
Amount to be provided for retirement of general long-term debt:						
From ad valorem taxes	-	-	117,912	-	117,912	125,837
From sales tax revenues	-	-	-	338,758	338,758	359,464
From other sources	<u>3,729</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,729</u>	<u>-</u>
Total available and to be provided	<u>\$ 3,729</u>	<u>\$ 1,000</u>	<u>\$ 128,265</u>	<u>\$ 359,738</u>	<u>\$ 492,732</u>	<u>\$ 513,959</u>
GENERAL LONG-TERM DEBT PAYABLE						
Bonds payable	\$ -	\$ 1,000	\$ 128,265	\$ 359,738	\$ 489,003	\$ 513,959
Capital lease payable	<u>3,729</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,729</u>	<u>-</u>
Total general long-term debt payable	<u>\$ 3,729</u>	<u>\$ 1,000</u>	<u>\$ 128,265</u>	<u>\$ 359,738</u>	<u>\$ 492,732</u>	<u>\$ 513,959</u>

GENERAL LONG-TERM DEBT ACCOUNT GROUP

To account for unmatured principal amounts on general long-term debt expected to be financed from governmental type funds. Payment of maturing obligations, including interest, are accounted for in the debt service fund.

TOWN OF MELVILLE, LOUISIANA

Statement of Changes in General Fixed Assets
Year Ended September 30, 1996

	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
General fixed assets, beginning of year	\$82,159	\$364,759	\$166,621	\$613,539
Additions:				
General Fund revenue	7,000	25,448	8,692	41,140
Reductions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
General fixed assets, end of year	<u>\$89,159</u>	<u>\$390,207</u>	<u>\$175,313</u>	<u>\$654,679</u>

TOWN OF MELVILLE, LOUISIANA

Comparative Statement of General Fixed Assets
September 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
General fixed assets, at cost:		
Land	\$ 89,159	\$ 82,159
Buildings	390,207	364,759
Equipment	<u>175,313</u>	<u>166,621</u>
Total general fixed assets	<u>\$654,679</u>	<u>\$613,539</u>
Investment in general fixed assets:		
Property acquired from -		
General obligation bonds	\$124,489	\$124,489
Federal grants and revenue sharing funds	229,534	229,534
General Fund revenues	181,741	140,601
Sales tax revenues	46,457	46,457
Utility Fund revenues	26,358	26,358
Donations	20,000	20,000
State grant revenues	<u>26,100</u>	<u>26,100</u>
Total investment in general fixed assets	<u>\$654,679</u>	<u>\$613,539</u>

GENERAL FIXED ASSETS ACCOUNT GROUP

To account for fixed assets not used in proprietary fund operations.

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Independent Auditor's Report on Compliance Based on an Audit of General Purpose Financial Statements Performed in Accordance with Government Auditing Standards

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The Honorable James Fontenot, Mayor
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Town of Melville, Louisiana

We have audited the general purpose financial statements of the Town of Melville, Louisiana as of and for the year ended September 30, 1996, and have issued our report thereon dated December 18, 1996.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Town, is the responsibility of the Town's elected officials. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the Town's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of noncompliance consist of failure to follow requirements or violations of prohibitions, contained in statutes, regulations, contracts, or grants, that cause us to conclude that the aggregation of the misstatements resulting from these failures or violations is material to the general purpose financial statements. The results of our tests of compliance disclosed the following material instance of noncompliance.

Louisiana Local Government Budget Act

Finding:

The Town failed to comply with LA RS 39:1310 of the Louisiana Local Government Budget Act by not adopting a budget amendment when actual expenditures in the General Fund exceeded budgeted expenditures by more than five percent.