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TOWN OF NEWELLTON, LOUISIANA

Financial Report As of and For the Year Ended June 30, 2001

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Release Date 1/9/02

TOWN OF NEWELLTON, LOUISIANA

FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED JUNE 30, 2001

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TOWN OF NEWELLTON, LOUISIANA
FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001

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INDEPENDENT AUDITORS' REPORT

**Mayor Alex Davis
and Members of the Board of Aldermen
Town of Newellton
Newellton, Louisiana**

We have audited the accompanying general purpose financial statements of the **Town of Newellton, Louisiana (the Town)** as of June 30, 2001, and for the year then ended, as listed in the accompanying Table of Contents. These general purpose financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, published by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. 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. 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 as of June 30, 2001 and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2001 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**Mayor Edwin Preis
and Members of the Board of Alderman
Town of Newellton**

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as Schedules in the accompanying Table of Contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Town. Such information 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.



(A Professional Accounting Corporation)

November 23, 2001

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

TOWN OF NEWELLTON, LOUISIANA
COMBINED BALANCE SHEET - ALL FUND TYPES AND
ACCOUNT GROUPS

JUNE 30, 2001

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPE			ACCOUNT GROUPS			TOTAL (MEMORANDUM ONLY)
	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS	CAPITAL PROJECT FUND	UTILITIES ENTERPRISE FUND	GENERAL ASSETS	GENERAL DEBT	GENERAL	LONG-TERM		
ASSETS										
Cash	\$ 55,621	\$ 20,119	\$ -	\$ 60,781	\$ -	\$ -	\$ -	\$ -	\$ 142,869	
Investments	53,067	-	-	-	-	-	-	-	53,067	
Accounts Receivable, net	5,596	-	37,327	47,364	-	-	-	-	90,287	
Other Receivables	1,462	-	-	1,736	-	-	-	-	3,198	
Due From Other Funds	9,501	-	19,532	-	-	-	-	-	29,033	
Prepaid Expenses	-	-	-	3,381	-	-	-	-	3,381	
Restricted Assets:										
Cash	-	1,517	-	108,885	-	-	-	-	110,402	
Investments	-	-	-	57,784	-	-	-	-	57,784	
Fixed Assets	-	-	-	6,809,733	445,290	-	-	-	7,255,023	
Accumulated Depreciation	-	-	-	(1,571,764)	-	-	-	-	(1,571,764)	
Amount Available in Debt Service Fund	-	-	-	-	-	-	21,636	-	21,636	
Amount to be Provided For Retirement of										
General Long-Term Debt	-	-	-	-	-	-	111,575	-	111,575	
TOTAL ASSETS	\$ 125,247	\$ 21,636	\$ 56,859	\$ 5,517,900	\$ 445,290	\$ 133,211	\$ 6,306,491			

The accompanying notes are an integral part of this statement.

TOWN OF NEWELLTON, LOUISIANA
COMBINED BALANCE SHEET - ALL FUND TYPES AND
ACCOUNT GROUPS
JUNE 30, 2001

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPE			ACCOUNT GROUPS			TOTAL (MEMORANDUM ONLY)	
	SPECIAL REVENUE FUND		DEBT SERVICE FUNDS		CAPITAL PROJECT FUND	UTILITIES ENTERPRISE FUND	GENERAL ASSETS	GENERAL DEBT				
LIABILITIES AND FUND EQUITY												
Liabilities	\$	5,490	\$	-	\$	37,327	\$	18,696	\$	-	\$	61,513
Accounts Payable												29,033
Due to Other Funds												15,697
Other Accrued Liabilities		10,248										68,208
Customers' Deposits												
Liabilities Payable From Restricted Assets:												
Accrued Interest Payable												10,220
Revenue Bonds Payable Current												43,263
Revenue Bonds Payable - Long Term												1,193,168
General Obligations Bonds Payable												133,211
Total Liabilities		15,738				37,327		1,368,037				1,554,313
Fund Equity												
Investment in General Fixed Assets												445,290
Contributed Capital												4,284,406
Retained Earnings (Deficit):												
Reserved - Depreciation & Contingency												36,573
Reserved - Debt Service												84,178
Unreserved												(255,294)
Fund Balance:												
Reserved for Debt Service												21,636
Unreserved and Undesignated		109,509				19,532						135,389
Total Fund Equity		109,509				19,532		4,149,863				4,752,178
TOTAL LIABILITIES AND FUND EQUITY	\$	125,247	\$	6,348	\$	21,636	\$	5,517,900	\$	445,290	\$	133,211
												6,306,491

**TOWN OF NEWELLTON, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>DEBT SERVICE FUNDS</u>	<u>CAPITAL PROJECT FUND</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
REVENUES					
Taxes - Ad Valorem	\$ 53,537	\$ -	\$ -	\$ -	\$ 53,537
Taxes - Sales and Use	62,609	-	-	-	62,609
Licenses and Permits	43,023	-	-	-	43,023
Intergovernmental Revenue - Federal	7,140	28,718	-	412,027	447,885
Intergovernmental Revenue - State	13,208	-	-	-	13,208
Intergovernmental Revenue - Local	1,866	-	9,955	-	11,821
Fees, Charges, and Commissions for Services	90,488	-	-	-	90,488
Fines and Penalties	17,875	-	-	-	17,875
Interest Income	3,139	-	196	-	3,335
Miscellaneous Income	32,466	-	-	-	32,466
Total Revenues	<u>325,351</u>	<u>28,718</u>	<u>10,151</u>	<u>412,027</u>	<u>776,247</u>
EXPENDITURES					
Current:					
General Government:					
Finance and Administration	95,433	-	-	-	95,433
Public Safety:					
Police Department	77,487	-	-	-	77,487
Fire Department	4,688	-	-	-	4,688
Public Works:					
Street and Sanitation	144,406	-	-	-	144,406
Economic Development	-	2,000	-	-	2,000
Capital Outlay	-	25,618	-	405,852	431,470
Debt Service:					
Retirement of Principal	-	-	19,640	-	19,640
Interest and Fiscal Charges	-	-	7,579	-	7,579
Total Expenditures	<u>322,014</u>	<u>27,618</u>	<u>27,219</u>	<u>405,852</u>	<u>780,703</u>
Excess (Deficiency) of Revenues Over Expenditures	3,337	1,100	(17,068)	6,175	(4,456)
Other Financing Sources (Uses)					
Operating Transfers In	1,500	-	20,037	-	21,537
Operating Transfers Out	(20,037)	-	-	-	(20,037)
Total Other Financing Sources (Uses)	<u>(18,537)</u>	<u>-</u>	<u>20,037</u>	<u>-</u>	<u>1,500</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	(15,200)	1,100	2,969	6,175	(2,956)
Fund Balance at beginning of year	<u>124,709</u>	<u>5,248</u>	<u>18,667</u>	<u>13,357</u>	<u>161,981</u>
FUND BALANCE AT END OF YEAR	<u>\$ 109,509</u>	<u>\$ 6,348</u>	<u>\$ 21,636</u>	<u>\$ 19,532</u>	<u>\$ 159,025</u>

The accompanying notes are an integral part of this statement.

TOWN OF NEWELLTON, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL -
ALL GOVERNMENTAL FUND TYPES HAVING ANNUAL APPROPRIATED BUDGETS
FOR THE YEAR ENDED JUNE 30, 2001

	GENERAL FUND			SPECIAL REVENUE FUND		
	GAAP BASIS BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)	GAAP BASIS BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES						
Taxes - Ad Valorem	\$ 54,000	\$ 53,537	\$ (463)	\$ -	\$ -	\$ -
Taxes - Sales and Use	65,000	62,609	(2,391)	-	-	-
Licenses and Permits	40,000	43,023	3,023	-	-	-
Intergovernmental Revenue						
Federal	7,200	7,140	(60)	27,618	28,719	1,101
State	24,685	13,208	(11,477)	-	-	-
Local	1,250	1,866	616	-	-	-
Franchise Fees	27,500	30,279	2,779	-	-	-
Charges For Services	81,000	60,209	(20,791)	-	-	-
Fines and Penalties	18,000	17,875	(125)	-	-	-
Interest	3,400	3,139	(261)	-	-	-
Miscellaneous Revenues	33,800	32,466	(1,334)	931	-	(931)
Total Revenues	<u>355,835</u>	<u>325,351</u>	<u>(30,484)</u>	<u>28,549</u>	<u>28,719</u>	<u>170</u>
EXPENDITURES						
Current:						
General Government	95,500	95,433	67	-	-	-
Public Safety:						
Police Department	77,550	77,487	63	-	-	-
Fire Department	4,302	4,688	(386)	-	-	-
Public Works:						
Street and Sanitation	152,754	144,406	8,348	-	-	-
Economic Development	-	-	-	2,000	2,000	-
Capital Outlay	-	-	-	25,618	25,618	-
Debt Service	-	-	-	-	-	-
Total Expenditures	<u>330,106</u>	<u>322,014</u>	<u>8,092</u>	<u>27,618</u>	<u>27,618</u>	<u>-</u>
(Deficiency) of Revenues						
Over Expenditures	25,729	3,337	(22,392)	931	1,101	170
Other Financing Sources (Uses)						
Transfers In	913	1,500	587	-	-	-
Transfers Out	(20,818)	(20,037)	781	-	-	-
Total Other Financing Sources (Uses)	<u>(19,905)</u>	<u>(18,537)</u>	<u>1,368</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	5,824	(15,200)	(21,024)	931	1,101	170
Fund Balance at beginning of year	<u>124,709</u>	<u>124,709</u>	<u>-</u>	<u>5,248</u>	<u>5,248</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 130,533</u>	<u>\$ 109,509</u>	<u>\$ (21,024)</u>	<u>\$ 6,179</u>	<u>\$ 6,349</u>	<u>\$ 170</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF NEWELLTON, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS (DEFICIT) - UTILITIES ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2001

Operating Revenues

Water Sales	\$ 130,405
Gas Sales	537,229
Sewerage Fees	110,188
Plumbing Fees	3,013
Penalties	15,942
Other Operating Revenues	237
Total Operating Revenues	<u>797,014</u>

Operating Expenses

Water Supplies and Expenses	53,951
Gas Purchases	328,782
Gas Supplies and Expenses	10,703
Sewer Supplies and Expenses	42,067
Supplies	5,531
Backhoe, Mower and Tractor	5,294
Bad Debts	3,688
Depreciation	128,871
Utilities	44,197
Enginecring	25,949
Insurance - General	11,414
Legal and Audit	9,470
Meter Reader	5,958
Office Rent	1,230
Office Supplies	4,306
Payroll Taxes	482
Postage	2,716
Salaries and Related Benefits	85,802
Telephone	5,434
Truck	6,449
Dues and Subscriptions	1,526
Travel and Meetings	5,369
Miscellaneous Expenses	7
Total Operating Expenses	<u>789,196</u>

Total Operating Profit

7,818

(Continued)

TOWN OF NEWELLTON, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS (DEFICIT) - UTILITIES ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2001 (Concluded)

Nonoperating Revenue (Expense)	
Interest Earnings	8,072
Interest Expense	<u>(62,978)</u>
Total Nonoperating Revenue (Expense)	<u>(54,906)</u>
 Loss Before Operating Transfers	 (47,088)
 Operating Transfers	
Transfer Out	<u>(1,500)</u>
Total Operating Transfers	<u>(1,500)</u>
 Net Loss	 (48,588)
 Retained Earnings At Beginning of Year	 <u>(85,955)</u>
 ACCUMULATED DEFICIT AT END OF YEAR	 \$ <u><u>(134,543)</u></u>

**TOWN OF NEWELLTON, LOUISIANA
STATEMENT OF CASH FLOWS
UTILITIES ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2001**

Cash Flows From Operating Activities

Operating Profit	\$ 7,818
Adjustments to Reconcile Operating Profit to Net Cash Provided by Operating Activities:	
Depreciation	128,871
Changes in assets and liabilities:	
Receivables	(6,473)
Prepaid Expenses	146
Accounts and Retainage Payable	2,655
Due from Other Funds	95
Due to Other Funds	10,171
Other Accrued Liabilities	1,950
Customer Deposits	2,525
Net Cash Provided by Operating Activities	147,758

Cash Flows From by Noncapital Financing Activities

Operating Transfers Out	(1,500)
Net Cash Used by Noncapital Financing Activities	(1,500)

Cash Flows From by Capital and Related Financing Activities

Principal Paid on Bonds	(42,431)
Interest Paid on Bonds	(62,978)
Purchases of Fixed Assets	(17,149)
Net Cash Used by Capital and Related Financing Activities	(122,558)

Cash Flows From Investing Activities

Interest Income	8,072
Sales of Short Term Cash Investments	3,509
Net Cash Provided by Investing Activities	11,581

(Continued)

**TOWN OF NEWELLTON, LOUISIANA
STATEMENT OF CASH FLOWS
UTILITIES ENTERPRISE FUND (Concluded)
FOR THE YEAR ENDED JUNE 30, 2001**

Net Increase in Cash and Cash Equivalents	35,281
Cash and Cash Equivalents at Beginning of Year	<u>134,385</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 169,666</u></u>

SHOWN ON ACCOMPANYING COMBINED BALANCE SHEET AS:

Cash	\$ 60,781
Restricted Assets:	
Cash	<u>108,885</u>
TOTAL	<u><u>\$ 169,666</u></u>

**SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL
INVESTING AND FINANCING ACTIVITIES**

Increase in Fixed Assets and Contributed Capital from Capital Project Funds	\$ <u><u>412,071</u></u>
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**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

Note 1 - Summary of Significant Accounting Policies

FINANCIAL REPORTING ENTITY/BASIS OF PRESENTATION

The accompanying financial statements include all funds and account groups of the Town of Newellton, Louisiana (the Town). The accompanying general purpose financial statements of the Town have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Town consists of an executive branch of government headed by a mayor and a legislative branch of government consisting of five aldermen. The Town's major operations include police and fire protection, street and drain maintenance, garbage and trash collection and administrative services. The Town also operates a Utilities Enterprise Fund to provide gas, sewerage and water services.

As the governing authority for the municipality, the Town is the reporting entity for the municipality. The financial reporting entity consists of (a) the primary government (the Town), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

GASB Statement No. 14 established criteria for determining which component units should be considered part of the Town for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is accountability. These criteria include:

1. Appointing a voting majority of an organization's governing body and the ability of the Town to impose its will on that organization and/or the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town.
2. Organizations for which the Town does not appoint a voting majority but are fiscally dependent on the Town.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature and significance of the relationship.

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

Based on the foregoing criteria, the Public Housing Authority for the Town is not included as a component unit of the Town reporting entity. Although the governing board of the Public Housing Authority is substantially the same as that of the Town, the Town cannot impose its will on the Public Housing Authority nor does the Town have any fiscal responsibility for the Public Housing Authority.

The following is a summary of certain significant accounting policies and practices:

A. Fund Accounting

The accounts of the Town 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. The various funds are grouped, in the financial statements in this report, into the various fund types and account groups as follows:

GOVERNMENTAL FUNDS

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 Fund - accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds - The Debt Service Funds are used to account for resources accumulated to pay principal and interest on general long-term obligations.

Capital Project Fund - The Capital Project Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, improvements and other major projects (other than those financed by Proprietary Funds).

PROPRIETARY FUND

Enterprise Funds - 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 cost (expenses, including depreciation) of providing goods or services to the general public on a continuing

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

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.

In accordance with GASB Statement 20, the Town has elected not to apply Financial Accounting Standards Board statements and interpretations issued after November 30, 1989 to its proprietary activities unless they are adopted by the GASB.

ACCOUNT GROUPS

General Fixed Assets Account Group

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public Domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

General Long-Term Debt Account Group

The general long-term debt account group (GLTDAG) is used to account for the government's unmatured long-term indebtedness that has not been identified as a specific fund liability of a proprietary or trust fund. Besides general obligation debt instruments such as bonds and notes, the GLTDAG is used, if applicable, to report certain liabilities such as long-term lease agreements and compensated absences.

B. Total Column 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 changes in financial position 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.

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

C. Basis of Accounting

Basis of accounting refers to the point at which 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. The governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The Town uses the following practices in recognizing and reporting revenues and expenditures in the governmental fund types:

Revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed ad valorem taxes and sales taxes are considered "measurable" when in the hands of the intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain. Ad valorem taxes, grants and fees, charges and commissions for services have been treated as susceptible to accrual.

Expenditures in the governmental funds are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

The proprietary fund is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Rates are charged for services are as follows:

1. Water rates charged:
 - a. Residential customers are charged \$ 6.00 for the first 2,000 gallons of water and \$1.50 for each additional 1,000 gallons.
 - b. Commercial customers are charged \$25.00 for the first 20,000 gallons of water used and then \$1.50 for each additional 1,000 gallons.
2. Sewer rates charged;
 - a. Residential customers are billed \$9.00 for the first 3,000 gallons of water

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

used. They are then billed \$1.50 for each 1,000 gallons of water used for the next 7,000 gallons, and for each additional 1,000 used after that, they are billed at \$1.00.

- b. Small commercial customers are charged \$25.00 plus fifty cents for each 1,000 gallons of water purchased. Large commercial customers are charged \$50.00 plus fifty cents for each 1,000 gallons of water used.
3. Gas rates charged to customers are \$15.00 for the first 1,000 cubic of gas used and 15.00 for each additional 1,000 cubic feet used.

D. Budgets and Budgetary Accounting

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

1. The proposed budget is submitted by the Town Clerk and the Mayor to the Board of Aldermen prior to July 1 of the ensuing year. Notice of the location and availability of the proposed budget for public inspection and the date of the public hearing to be conducted on the budget is then advertised in the official journal of the Town.
2. After the public hearing, the budget is adopted by passing an ordinance approving the budget at the selected June board meeting.
3. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Board of Aldermen.
4. All legally-adopted budgets of the Town are adopted on a basis consistent with GAAP. A budget is adopted for the General Fund and the Special Revenue Fund.

E. Investments

Investments (consisting of certificates of deposit) are stated at amortized cost, which approximates market value. For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

F. Fixed Assets

The accounting and reporting treatment applied to the fixed assets associated with a particular fund is determined by the fund's measurement focus.

Fixed assets of the enterprise fund are recorded at cost, if purchased, and at fair market value at date of gift, if donated. Major additions are capitalized while maintenance and repairs that do not improve or extend the life of the respective assets are charged to expense. Contributions received in aid of construction are credited to contribution accounts and do not reduce the cost of the assets acquired with such contributions. Interest is capitalized on funds used during construction of projects acquired with bond funds. No interest was capitalized during the year ended June 30, 2001.

Depreciation of all exhaustible fixed assets used by the enterprise fund is charged as an expense against its operations. Accumulated depreciation is reported in the proprietary fund balance sheet. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. Estimated useful lives are as follows (in years):

Water System:	
Wells	99
Storage Tanks	50
Lines and Meters	50
Sewerage System:	
Pumping Station	50
Lines	50
Autos and Trucks	5
Other	5 - 7
Gas Transmission and Distribution System:	
Pipeline	99
Lines and Meters	50
Office Equipment	5 - 7

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

G. Long-Term Liabilities

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds. Long-term liabilities expected to be financed from enterprise fund operations are accounted for in the enterprise fund.

H. Bad Debts

Uncollectible amounts for ad valorem taxes are generally not significant. As a result, the direct write-off method for recognizing bad debts is used. Under this method, the receivable is charged to expense when the account is deemed to be uncollectible. The Town changed to the allowance method for recognizing bad debts for customers' utility receivables during the year. An allowance of \$3,688 has been set up for the year ended June 30, 2001.

I. Compensated Absences

The Town has no provision for vesting of vacation and sick leave. Consequently, the financial statements of the Town reflect no liability for compensated absences.

J. Reserves and Designations of Fund Equity

Some portion of fund balance and/or retained earnings are reserved to indicate that a portion of fund equity is legally restricted to a specific future use and is not available for appropriation or expenditure.

Designated portions of fund balance indicate tentative future spending plans, which may be changed and are subject to subsequent authorization before expenditures can be made.

K. Due From Other Funds

Amounts designated as "due from other funds" are considered "available spendable resources".

L. Electrical System Operating Agreement

On February 12, 1976, the Board of Aldermen of the Town authorized an operating agreement between the Town and Louisiana Power and Light (Entergy) for Entergy to operate the electric system within the corporate limits of the Town for a period

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

of twenty-five years. The agreement provides that Entergy will pay to the Town two percent of total revenue collected from the sale of electric service to residential and commercial customers within the Town. Revenues under this agreement totaled \$21,203 for the year ended June 30, 2001.

M. Use of Estimates

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

Note 2 - Cash and Deposits

Statutes require the Town to invest surplus cash balances in obligations of the United States Treasury, time certificates of deposit, and any other federally-insured investments.

The Town has \$371,517 in deposits (collected bank balances) as of June 30, 2001, of which \$111,411 was secured from risk by federal deposit insurance (GASB 3 - Category 1). The balance of \$260,106 of the deposits was collateralized with securities held by the financial institution in the name of the Town (GASB 3 - Category 2).

Note 3 - Receivables are primarily composed of amounts due from residential customers living in the Town. Accounts receivable of \$93,485 as of June 30, 2001 are comprised of the following:

Fund Type	Franchise				Total
	Fees	Grants	Accounts	Other	
General	\$ 5,596	\$ -	\$ -	\$ 1,462	\$ 7,058
Capital Projects	-	37,327	-	-	37,327
Proprietary	-	-	47,364	1,736	49,100
Total	\$ 5,596	\$ 37,327	\$ 47,364	\$ 3,198	\$ 93,485

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

The town has 692 residential and 4 commercial water and sewer customers. They also serve 594 residential and 4 commercial gas customers. An aging of the utility receivables as of June 30, 2001 is as follows:"

	<u>Water</u>	<u>Gas</u>	<u>Sewer</u>	<u>Other</u>	<u>Total</u>
Current	\$ 15,658	\$ 15,417	\$ 8,193	\$ 3,907	\$ 43,175
31-60 Days	529	879	327	148	1,883
61-90 Days	364	569	249	106	1,288
91-120 Days	475	423	74	60	1,032
Over 120 Days	996	1,981	459	252	3,688
Total	<u>\$ 18,022</u>	<u>\$ 19,269</u>	<u>\$ 9,302</u>	<u>\$ 4,473</u>	<u>\$ 51,066</u>

Note 4 - Ad Valorem Taxes

Property taxes are levied by the Town in September or October each year and are actually billed to the taxpayers in November. Property taxes become due and are attached as an enforceable lien on property as of January 1 of the following year. Billed taxes become delinquent on January 1 of the year following the year in which the taxes are due.

The Town bills and collects its own property taxes using the assessed value as determined by the tax assessor of Tensas Parish.

The ad valorem tax millage is as follows:

General Ad Valorem Tax	<u>Mills</u> 14.64
------------------------	-----------------------

Note 5 - Sales and Use Tax

At a special election held October 16, 1993, residents of the Town approved a general sales and use tax of .75%. Subsequent to June 30, 1994 the Board of Aldermen dedicated the proceeds of such tax to the improvement of streets and drainage.

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

Note 6 - Fixed Assets

The changes in general fixed assets follows:

	Balance 6/30/00	Additions	Deletions	Balance 6/30/01
Vehicles	\$ 297,433	\$ -	\$ 10,000	\$ 287,433
Furniture and Equipment	157,159	698	-	157,857
Total	<u>\$ 454,592</u>	<u>\$ 698</u>	<u>\$ 10,000</u>	<u>\$ 445,290</u>

A summary of proprietary fund type property, plant and equipment at June 30, 2001, is as follows:

Service Equipment	\$ 105,151
Office Equipment	3,010
Water System	2,033,380
Gas System	1,328,027
Sewer System	3,311,087
Pipeline	9,428
Total	<u>6,790,083</u>
Less: Accumulated Depreciation	<u>(1,571,764)</u>
Net Depreciable Assets	5,218,319
Land	<u>19,650</u>
Total Proprietary Fund Type Property, Plant and Equipment	<u>\$ 5,237,969</u>

Detailed records of fixed assets acquired prior to June 30, 1974, are not available. Estimation of the cost of these assets was made through examinations of bond and grant proceeds for construction and additions, and discussion with elected officials and long-time Town employees. All major proprietary fund asset additions have been made through bond and grant programs. Therefore, depreciation on these assets has been estimated at an amount consistent with that charged to operations in previous years. Depreciation on assets placed in service subsequent to June 30, 1974, has been calculated on the straight-line basis over their estimated useful lives.

Depreciation of \$128,871 as of June 30, 2001 was charged to expense in the utility fund.

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

Note 7 - Pension and Retirement Plans

Municipal Employees' Retirement System of Louisiana (MERS)

Substantially all Town employees, except policemen, are members of the MERS, a multiple-employer, cost-sharing, public employee retirement system (PERS), controlled and administered by a separate board of trustees. The MERS is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All participants of the Town are covered by Plan A.

All full-time Town employees and elected Town officials are eligible to participate in the system. Under the plan provisions, a member who retires at or after age 60 with at least 10 years of creditable service, at or after age 55 with 25 years of creditable service, or at any age with at least 30 years of creditable service is entitled to a retirement benefit, payable monthly for life, equal to 3% of the member's final compensation multiplied by his years of creditable service.

Funding Policy. Contributions to the system include one-fourth of one per cent of the taxes shown to be collectible by the tax rolls of the parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of members on which contributions were made for the previous fiscal year. State statute requires covered employees to contribute a percentage of their salaries to the system; As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the MERS for the years ended June 30, 2001, 2000, and 1999 were \$8,568, \$7,804; and \$8,188; respectively, equal to the statutorily required contributions for each year.

The MERS issues an annual, publicly-available financial report that includes financial statements and required supplementary information for the retirement system. The report may be obtained by writing the Municipal Employees' Retirement System, 6750 Van Gogh, Baton Rouge, LA 70806 or by calling (504) 925-4810.

Municipal Police Employees' Retirement System (MPERS)

All full-time police officers engaged in law enforcement and earning at least \$375 per month excluding state supplemental pay and elected chiefs of police whose salary is at least \$100 per month are eligible to participate in the system. Members who retire at or after age 50 with 20 years of creditable service, at or after age 55 with 12 years of creditable service and with membership in the system for one year are entitled to a retirement benefit, payable monthly for life, equal to 3-1/3% of the member's average

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

final average compensation multiplied by his years of creditable service, not to exceed 100 per cent of his average final compensation. The system also provides death and disability benefits. Benefits are established by state statute.

Funding Policy. State statutes require covered employees to contribute a percentage of their salaries to the system. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the MPERS for the years ended June 30, 2001, 2000, and 1999 were \$2,067, \$3,323; and \$1,309, respectively, equal to the statutorily required contributions for each year.

The MPERS issues an annual, publicly-available financial report that includes financial statements and required supplementary information for the retirement system. The report may be obtained by writing the Municipal Police Employees' Retirement System, 8401 United Plaza Blvd., Room 305, Baton Rouge, LA 70808 or by calling (504) 929-7411.

Note 8 - Long-Term Debt

The following is a summary of long term debt transactions of the Town for the year ended June 30, 2001:

	General Obligation Notes	Capital Leases	Utilities Enterprise Fund Bonds	Total
Balance at				
Beginning of Year	\$ 158,329	\$ 1,824	\$ 1,278,863	\$ 1,439,016
Additions	-	-	-	-
Retirements	(25,118)	(1,824)	(42,432)	(69,374)
BALANCE AT END OF YEAR	<u>\$ 133,211</u>	<u>\$ -</u>	<u>\$ 1,236,431</u>	<u>\$ 1,369,642</u>

Bonds payable at June 30, 2001 are comprised of the following individual issues:

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

Utilities Enterprise Fund:

General Obligation Bonds:

\$30,000 Water Distribution Bonds dated April 2, 1974; due in annual installments of \$1,687, through April 2, 2010; interest at 5%.	\$ <u>12,750</u>
Total General Obligation Bonds – Utilities Enterprise Fund	12,750

Revenue Bonds:

\$83,000 Sewer Revenue Bonds dated August 8, 1973; due in annual installments of \$5,050, through July 1, 2013; interest at 4.125%.	44,000
\$200,000 Sewer Revenue bonds dated February 1, 1968; due in annual installments of \$10,898, through February 1, 2008; interest at 4.125%.	40,881
\$550,000 Revenue bonds dated April 6, 1976; due in annual installments of \$29,250 - \$34,350 through April 6, 2016; interest at 5%.	330,000
\$100,000 Revenue bonds dated April 6, 1976; due in annual installments of \$4,400 - \$6,000, through April 6, 2016; interest at 5%.	55,000
\$315,000 Sewer Revenue bonds dated March 23, 1988; due in annual installments of \$18,512 through May 12, 2028; interest at 5%.	265,106
\$506,000 Water Revenue bonds dated April 24, 1998; due in monthly installments of \$2,398.44 through December 2038; interest at 4.875%	<u>488,694</u>
Total Revenue Bonds – Utilities Enterprise Fund	<u>1,223,681</u>
Total Utilities Enterprise Fund Bonds	\$ <u>1,236,431</u>

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

General Obligation Notes:

\$130,000 Certificate of Indebtedness, Series 1994, to finance the street overlay project. Payments are made yearly at an interest rate of 6%. Matures on August 1, 2004. 62,000

\$80,000 Certificate of Indebtedness, Series 1999, to finance the purchase of fire truck and equipment. Payments are made monthly at an interest rate of 4.5%. Matures on February 8, 2010. 71,211

Total General Obligation Notes \$ 133,211

Maturities of long term obligations of the Town for the next five years, including interest of \$992,966 are as follows:

Fiscal Year Ended June 30,	General Obligation Bonds	Enterprise Fund Bonds	Total
2002	28,065	104,025	132,090
2003	27,385	103,025	130,410
2004	27,455	102,024	129,479
2005	27,465	101,024	128,489
2006-2010	46,031	456,387	502,418
2011-2015	-	430,065	430,065
2016-2020	-	272,445	272,445
2021-2025	-	235,695	235,695
2026-2030	-	195,274	195,274
2031-2035	-	143,906	143,906
2036-2038	-	62,337	62,337
	<u>\$ 156,401</u>	<u>\$ 2,206,207</u>	<u>\$ 2,362,608</u>

Note 9 - Restriction on Use of Funds

Under the terms of the Revenue Promissory Note loan agreement dated February 1, 1968, all income and revenue (hereinafter referred to as revenue) from operation of the sewerage system are pledged and shall be set aside into a "Sewerage Revenue Fund" to provide for the payment for the reasonable and necessary expenses of operating and maintaining the sewerage system, for the payment of the note and interest thereon and provide an adequate depreciation fund, as follows:

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

1. Each month, there will be paid from the Sewerage Revenue Fund into a "Sewerage Operation and Maintenance Fund" an amount sufficient to assure the prompt payment of operating expenses and make reasonable provision for repair and maintenance of the sewerage system;
2. There shall also be set aside into a "Sewerage Note Fund" monthly amounts equal to 1/12th of the principal and interest becoming due on the next payment date plus \$40 until there shall have been accumulated in the fund an amount equal to \$5,000. The \$5,000 reserve is designated as the "Reserve Fund" and may be used to meet payments of principal and interest to the extent funds in the Sewerage Note Fund are insufficient for that purpose. Any money so used shall be replaced as soon as possible to restore the Reserve Fund to a balance of \$5,000; and,
3. Funds will also be set aside from the Sewerage Revenue Fund into a "Sewerage Depreciation Fund" at the rate of \$40 each month. Money in this fund may be used for making major repairs or replacements to the sewerage system, which are necessary to keep the system in operating condition.

Under the terms of the bond indenture pertaining to General Obligation Bonds dated April 2, 1974, and Sewer Revenue Bonds dated July 1, 1974, an unlimited ad valorem tax of the Town, and all income and revenue (hereinafter referred to as revenue) earned from operations of the sewer system are pledged to secure the payment of the principal and interest of these issues.

1. Each month an amount of \$20 will be taken from the revenue fund and deposited into a Revenue Note Fund until a balance of \$2,500 is accumulated in this account.
2. Funds in the amount \$20 each month will be deposited into a depreciation fund.

Under the terms of the bond indenture pertaining to Revenue Bonds dated April 6, 1976, all income and revenue (hereinafter referred to as revenue) earned from operation of the combined waterworks and gas system (the System) are pledged to secure payment of principal and interest of the Revenue Bond. Pursuant to the terms of the indenture, the revenue from the System is to be deposited into a separate "Water and Gas Revenue Fund" (the Revenue Fund) bank account. Disbursements from the Revenue Fund are prioritized as follows:

1. The payment of the reasonable and necessary expenses of administering, operating, repairing and insuring the System;

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

2. Making monthly contributions to a "Water and Gas Revenue Bond and Interest Sinking Fund" (the Sinking Fund) in an amount equal to 1/12th of the total principal and interest becoming due in the ensuing year;
3. Making contributions to a "Water and Gas Reserve Fund" (the Reserve Fund) in an amount equal to 5% of the amount paid into the Sinking Fund until the balance reaches \$41,700; and,
4. Making contributions to a "Water and Gas Depreciation and Contingency Fund" to assure proper operation of the system by depositing monthly \$180 from the Revenue Fund. This fund shall also be used to pay the principal and interest on any bonds authorized under the indenture for which there is not sufficient money in the Sinking Fund or Reserve Fund. Any money so used shall be replaced as soon as possible from the earnings of the System.

Under the terms of the Revenue Promissory Note Agreement dated May 12, 1988, income and revenues from the operation of the sewerage system after payments required by the outstanding Sewerage Revenue Promissory Note dated February 1, 1968 (the "Prior Lien Bonds") are to be set aside as follows:

1. There shall be set aside into a "1988 Sewer Bond and Interest Sinking Fund" monthly amounts equal to one-twelfth (1/12th) of the total amount of principal and interest becoming due on the next payment date;
2. There shall be set aside into a "1988 Sewer Revenue Bond Reserve Fund" monthly amounts at least equal to 5% of the amount to be paid into the "1988 Sewer Revenue Bond and Interest Sinking Fund". The payments are to continue until such time as there has been accumulated a sum equal to the highest combined principal and interest falling due in any year; and,
3. Funds will also be set aside at the rate of \$92 per month from the Sewerage Revenue Fund into a "1988 Sewerage Depreciation and Contingency Fund" to provide for depreciation, extensions, additions and replacements necessary to properly operate the sewerage system.

Under the terms of the Certificate of Indebtedness, Series 1999 dated February 8, 2000, excess revenues over statutory, necessary and usual charges are to be set aside as follows:

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

1. There shall be set aside into a "Debt Service Fund" monthly amounts equal to one-twelfth (1/12th) of the total amount of principal and interest becoming due on the next payment date;
2. There shall be set aside into "Reserve Fund" monthly amounts at least equal to 10% of the amount to be paid into the "Debt Service Fund". The payments are to continue until such time as there has been accumulated a sum equal to the highest combined principal and interest falling due in any year.

Restricted Assets were composed of the following:

	<u>Total</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
1968 Sewer Revenue Bonds			
1973 Sewer Revenue Bonds			
1974 Water Distribution G. O. Bonds			
Bond and Interest Redemption Fund	\$ 17,986	\$ 17,986	\$ -
Bond Reserve Fund	7,572	7,572	-
Depreciation and Contingency Fund	57,856	-	57,856
1976 Water and Gas Revenue Bonds			
Bond and Interest Redemption Fund	27,941	27,941	-
Bond Reserve Fund	811	811	-
Depreciation and Contingency Fund	19,178	19,178	-
1988 Sewer Revenue Bonds			
Bond and Interest Redemption Fund	6,415	6,415	-
Bond Reserve Fund	8,256	8,256	-
Depreciation and Contingency Fund	3,638	3,638	-
1998 Water Revenue Bonds			
Bond and Interest Redemption Fund	5,304	5,304	-
Bond Reserve Fund	5,899	5,899	-
Depreciation and Contingency Fund	6,153	6,153	-
Total	<u>\$ 166,741</u>	<u>\$ 108,885</u>	<u>\$ 57,856</u>

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

Note 10 - Interfund Receivables and Payables

Individual fund interfund receivables and payables at June 30, 2001, are as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 9,501	\$ -
Utility Enterprise Fund	-	29,033
Capital Project Funds	19,532	-
TOTAL	\$ 29,033	\$ 29,033

	Operating Transfers	
	In	Out
General Fund	\$ 1,500	\$ 20,037
Utility Enterprise Fund	-	1,500
Debt Service Fund	20,037	-
TOTAL	\$ 21,537	\$ 21,537

Note 11 - On-Behalf Payments

Certain Town employees in the Police Department receive supplemental pay from the state of Louisiana. In accordance with GASB Statement No. 24 "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance", the Town has recorded revenues and expenditures for these payments in the General Fund in the amount of \$3,600.

Note 12 - Intergovernmental Agreement - Gas Transmission and Distribution Operations

The Town jointly operates with the Town of St. Joseph, Louisiana that portion of the gas transmission line from Lake St. John Field to the Town of St. Joseph. By long-term agreement, the Towns of Newellton and St. Joseph equally share the cost of operating the gas transmission and distribution system. The Town's share of these operating costs is included in Gas Purchases for the year ended June 30, 2001.

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

Note 13 - Risk Financing Activities

The Town is a participating member in the Louisiana Risk Management Agency's Group Self-Insurance Fund for Municipal Liability Risk Sharing and Group Self-Insurance Fund for Workmen's compensation and Employer Liability (the Agency). The Agency functions as a Public Entity Risk Pool formed to pool the risk of public liability exposure to its members. The Town insures its law enforcement officers' comprehensive liability and errors and omissions risk through its participation in the Agency pools. The coverage provided by the pools is subject to \$1,000 deductibles for certain coverages and provides coverages up to \$500,000 for each type of insured risk. Premiums for coverage are retroactively rated based on experience and premiums are calculated based on the ultimate cost of the experience to date of the pool participants.

SUPPLEMENTARY INFORMATION

TOWN OF NEWELLTON, LOUISIANA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL -
COUNCIL LEVEL OF CONTROL
FOR THE YEAR ENDED JUNE 30, 2001

	<u>GAAP BASIS BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Taxes - Ad Valorem	\$ 54,000	\$ 53,537	\$ (463)
Taxes - Sales and Use	65,000	62,609	(2,391)
Licenses and Permits:			
Franchise Revenue	27,500	30,279	2,779
Occupational & Other Licenses	40,000	43,023	3,023
Intergovernmental Revenues	9,950	11,314	1,364
Charges for Services	81,000	60,209	(20,791)
Grant Revenues	23,185	10,900	(12,285)
Fines	18,000	17,875	(125)
Interest Income	3,400	3,139	(261)
Miscellaneous Revenues	33,800	32,466	(1,334)
Total Revenues	<u>355,835</u>	<u>325,351</u>	<u>(30,484)</u>
Expenditures			
General Government:			
Salaries and Benefits	49,500	51,852	(2,352)
Operating Services	28,800	26,436	2,364
Contractual Services	8,500	9,534	(1,034)
Travel and Other Charges	8,700	7,611	1,089
Total General Government	<u>95,500</u>	<u>95,433</u>	<u>67</u>
Public Safety:			
Police Department:			
Salaries and Benefits	54,700	53,247	1,453
Operating Services	4,950	4,573	377
Operating Supplies and Maintenance	16,500	18,294	(1,794)
Contractual Services	1,400	1,373	27
Total Police Department	<u>77,550</u>	<u>77,487</u>	<u>63</u>
Fire Protection:			
Operating Services	3,707	3,988	(281)
Operating Supplies and Maintenance	595	700	(105)
Total Fire Protection	<u>4,302</u>	<u>4,688</u>	<u>(386)</u>

(Continued)

TOWN OF NEWELLTON, LOUISIANA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL - (Concluded)
COUNCIL LEVEL OF CONTROL
FOR THE YEAR ENDED JUNE 30, 2001

	<u>GAAP BASIS BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
Public Works:			
Street and Sanitation:			
Salaries and Benefits	51,600	52,343	(743)
Operating Services	92,663	79,284	13,379
Operating Supplies and Maintenance	1,800	6,088	(4,288)
Debt Service	6,691	6,691	-
Total Public Works	<u>152,754</u>	<u>144,406</u>	<u>8,348</u>
Total Expenditures	<u>330,106</u>	<u>322,014</u>	<u>8,092</u>
Excess (Deficiency) of Revenues Over Expenditures	25,729	3,337	(22,392)
Other Financing Sources			
Operating Transfers - In	913	1,500	587
Operating Transfers - Out	<u>(20,818)</u>	<u>(20,037)</u>	<u>781</u>
Total Other Financing Sources	<u>(19,905)</u>	<u>(18,537)</u>	<u>1,368</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	5,824	(15,200)	(21,024)
Fund Balance at Beginning of Year	<u>124,709</u>	<u>124,709</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 130,533</u>	<u>\$ 109,509</u>	<u>\$ (21,024)</u>

TOWN OF NEWELLTON, LOUISIANA
BALANCE SHEET - UTILITY ENTERPRISE FUND
JUNE 30, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
ASSETS		
Cash	\$ 60,781	\$ 40,814
Accounts Receivable, net	47,364	41,830
Other Receivables	1,736	797
Due From Other Funds	-	95
Prepaid Expenses	3,381	3,528
Restricted Assets:		
Cash	108,885	93,571
Investments	57,784	61,293
Fixed Assets	6,809,733	6,380,513
Accumulated Depreciation	<u>(1,571,764)</u>	<u>(1,442,893)</u>
TOTAL ASSETS	\$ <u>5,517,900</u>	\$ <u>5,179,548</u>
LIABILITIES AND FUND EQUITY		
Liabilities		
Accounts Payable	\$ 18,696	\$ 16,042
Due to Other Funds	29,033	18,862
Other Accrued Liabilities	5,435	3,692
Deferred Revenues	14	-
Customers' Deposits	68,208	65,683
Liabilities Payable From Restricted Assets:		
Accrued Interest Payable	10,220	10,027
Revenue Bonds Payable Current	43,263	42,230
Revenue Bonds Payable - Long Term	<u>1,193,168</u>	<u>1,236,633</u>
Total Liabilities	1,368,037	1,393,169
Fund Equity		
Contributed Capital	4,284,406	3,872,335
Retained Earnings (Deficit):		
Reserved - Depreciation & Contingency	36,573	29,607
Reserved - Debt Service	84,178	21,726
Unreserved	<u>(255,294)</u>	<u>(137,289)</u>
Total Fund Equity	<u>4,149,863</u>	<u>3,786,379</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>5,517,900</u>	\$ <u>5,179,548</u>

TOWN OF NEWELLTON, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS (DEFICIT) - UTILITIES ENTERPRISE FUND
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
Operating Revenues		
Water Sales	\$ 130,405	\$ 136,402
Gas Sales	537,229	288,588
Sewerage Fees	110,188	111,866
Plumbing Fees	3,013	1,905
Penalties	15,942	6,784
Franchise Tax	-	4,856
Other Operating Revenues	237	6,491
Total Operating Revenues	<u>797,014</u>	<u>556,892</u>
Operating Expenses		
Water Supplies and Expenses	53,951	33,393
Gas Purchases	328,782	132,405
Gas Supplies and Expenses	10,703	11,723
Sewer Supplies & Expense	42,067	35,640
Supplies	5,531	2,949
Backhoe, Mower and Tractor	5,294	3,769
Bad Debts	3,688	-
Depreciation	128,871	108,686
Utilities	44,197	50,513
Engineering	25,949	2,115
Insurance - General	11,414	5,280
Legal and Audit	9,470	9,150
Meter Reader	5,958	5,565
Office Rent	1,230	1,842
Office Supplies	4,306	3,205
Payroll Taxes	482	6,486
Postage	2,716	1,961
Salaries and Related Benefits	85,802	71,317
Telephone	5,434	5,035
Truck	6,449	2,210
Dues and Subscriptions	1,526	2,499
Travel and Meetings	5,369	4,102
Miscellaneous Expenses	7	1,059
Total Operating Expenses	<u>789,196</u>	<u>500,904</u>
Total Operating Profit	7,818	55,988

(Continued)

TOWN OF NEWELLTON, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS (DEFICIT) - UTILITIES ENTERPRISE FUND (Concluded)
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000

	2001	2000
Nonoperating Revenue (Expense)		
Interest Earnings	8,072	5,768
Intergovernmental - State Grant		26,000
Interest Expense	<u>(62,978)</u>	<u>(63,684)</u>
Total Nonoperating Revenue (Expense)	<u>(54,906)</u>	<u>(31,916)</u>
 Loss Before Operating Transfers	 (47,088)	 24,072
 Operating Transfers		
Transfer Out	<u>(1,500)</u>	<u>(42,200)</u>
Total Operating Transfers	<u>(1,500)</u>	<u>(42,200)</u>
 Net Loss	 (48,588)	 (18,128)
 Retained Earnings At Beginning of Year	 <u>(85,955)</u>	 <u>(67,827)</u>
 ACCUMULATED DEFICIT AT END OF YEAR	 <u>\$ (134,543)</u>	 <u>\$ (85,955)</u>

TOWN OF NEWELLTON, LOUISIANA
STATEMENT OF CASH FLOWS
UTILITIES ENTERPRISE FUND
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
Cash Flows From Operating Activities		
Operating Profit	\$ 7,818	\$ 55,988
Adjustments to Reconcile Operating Profit to Net Cash Provided by Operating Activities:		
Depreciation	128,871	108,686
Changes in assets and liabilities:		
Receivables	(6,473)	(3,348)
Prepaid Expenses	146	2,778
Accounts and Retainage Payable	2,654	(7,420)
Due from Other Funds	95	-
Due to Other Funds	10,171	(40,154)
Other Accrued Liabilities	1,951	(1,878)
Customer Deposits	2,525	5,585
Net Cash Provided by Operating Activities	<u>147,758</u>	<u>120,237</u>
Cash Flows From by Noncapital Financing Activities		
Operating Transfers Out	(1,500)	(42,200)
Grant Income	-	26,000
Net Cash Used by Noncapital Financing Activities	<u>(1,500)</u>	<u>(16,200)</u>
Cash Flows From by Capital and Related Financing Activities		
Principal Paid on Bonds	(42,431)	(35,577)
Interest Paid on Bonds	(62,978)	(64,526)
Purchases of Fixed Assets	(17,149)	-
Net Cash Used by Capital and Related Financing Activities	<u>(122,558)</u>	<u>(100,103)</u>
Cash Flows From Investing Activities		
Interest Income	8,072	5,768
Maturities of Short Term Cash Investments	3,509	-
Purchase of Short Term Cash Investments	-	(14,176)
Net Cash Provided by Investing Activities	<u>11,581</u>	<u>(8,408)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	35,281	(4,474)
Cash and Cash Equivalents at Beginning of Year	<u>134,385</u>	<u>138,859</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 169,666</u>	<u>\$ 134,385</u>

(Continued)

**TOWN OF NEWELLTON, LOUISIANA
STATEMENT OF CASH FLOWS
UTILITIES ENTERPRISE FUND (Concluded)
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
SHOWN ON ACCOMPANYING COMBINED BALANCE SHEET AS:		
Cash	\$ 60,781	40,814
Restricted Assets:		
Cash	<u>108,885</u>	<u>93,571</u>
TOTAL	<u>\$ 169,666</u>	<u>134,385</u>

**SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL
INVESTING AND FINANCING ACTIVITIES**

Increase in Fixed Assets and Contributed Capital from Capital Project Funds	\$ <u>412,071</u>	\$ <u>603,893</u>
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**TOWN OF NEWELLTON, LOUISIANA
 COMBINING BALANCE SHEET
 ALL DEBT SERVICE FUNDS
 AS OF JUNE 30, 2001**

	Fire Department	Street Project	Total
ASSETS			
Cash	\$ <u>1,517</u>	\$ <u>20,119</u>	\$ <u>21,636</u>
TOTAL ASSETS	\$ <u><u>1,517</u></u>	\$ <u><u>20,119</u></u>	\$ <u><u>21,636</u></u>
 LIABILITIES AND FUND EQUITY			
Liabilities	\$ -	\$ -	\$ -
Fund Equity			
Reserved for Debt Service	<u>1,517</u>	<u>20,119</u>	<u>21,636</u>
Total Fund Equity	1,517	20,119	21,636
TOTAL LIABILITIES AND FUND EQUITY	\$ <u><u>1,517</u></u>	\$ <u><u>20,119</u></u>	\$ <u><u>21,636</u></u>

**TOWN OF NEWELLTON, LOUISIANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES -
 ALL DEBT SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2001**

	Fire Department	Street Project	Total
REVENUES			
Intergovernmental Revenue	\$ 9,955	\$ -	\$ 9,955
Interest Income	21	175	196
Total Revenues	<u>9,976</u>	<u>175</u>	<u>10,151</u>
EXPENDITURES			
Debt Service:			
Retirement of Principal	6,640	13,000	19,640
Int Interest and Fiscal Charges	<u>3,315</u>	<u>4,264</u>	<u>7,579</u>
Total Expenditures	9,955	17,264	27,219
Excess (Deficiency) of Revenues Over Expenditures	21	(17,089)	(17,068)
Other Financing Sources (Uses)			
Operating Transfers In	1,079	18,958	20,037
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	1,079	18,958	20,037
Excess of Revenues and Other Sources Over Expenditures and Other Uses	1,100	1,869	2,969
Fund Balance at beginning of year	<u>417</u>	<u>18,250</u>	<u>18,667</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,517</u>	<u>\$ 20,119</u>	<u>\$ 21,636</u>

TOWN OF NEWELLTON
SCHEDULE OF CHANGES IN RESTRICTED ASSETS
FOR THE YEAR ENDED JUNE 30, 2001

	<u>Bond and Interest Redemption</u>	<u>Bond Reserve</u>	<u>Depreciation and Contingency</u>	<u>Total</u>
\$200,000 1968 Sewer revenue bonds				
\$83,000 1973 Sewer revenue bonds				
<u>\$30,000 1974 Water distribution G.O. bonds</u>				
Balance - July 1, 2000	\$ 17,276	\$ 7,500	\$ 53,793	\$ 78,569
Add:				
Transfers from Operating Account	18,000	-	11,000	29,000
Interest Earned	384	-	4,553	4,937
Total Funds Available	<u>35,660</u>	<u>7,500</u>	<u>69,346</u>	<u>112,506</u>
Less:				
Payments on Principal and Interest	(17,674)	-	-	(17,674)
Funds Over Contributed			(11,490)	
Balance - June 30, 2001	<u>\$ 17,986</u>	<u>\$ 7,500</u>	<u>\$ 57,856</u>	<u>\$ 94,832</u>
<u>\$500,000 1976 Water and Gas Revenue Bonds</u>				
<u>\$100,000 1976 Water and Gas Revenue Bonds</u>				
Balance - July 1, 2000	\$ 31,545	\$ 9,831	\$ 16,602	\$ 57,528
Add:				
Transfers From Operating	35,750	1,800	2,160	39,710
Interest Earned	896	180	416	1,492
Total Funds Available	<u>68,191</u>	<u>11,811</u>	<u>19,178</u>	<u>98,730</u>
Less:				
Principal and Interest	(40,250)	-	-	(40,250)
Purchase of Truck	-	(11,000)	-	(11,000)
Balance - June 30, 2001	<u>\$ 27,941</u>	<u>\$ 811</u>	<u>\$ 19,178</u>	<u>\$ 47,480</u>

(Continued)

TOWN OF NEWELLTON
SCHEDULE OF CHANGES IN RESTRICTED ASSETS
FOR THE YEAR ENDED JUNE 30, 2001

	<u>Bond and Interest Redemption</u>	<u>Bond Reserve</u>	<u>Depreciation and Contingency</u>	<u>Total</u>
<u>\$315,000 1988 Sewer Revenue Bonds</u>				
Balance - July 1, 2000	\$ 6,124	\$ 7,152	\$ 8,510	\$ 21,786
Add:				
Transfers From Operating	18,513	925	1,104	20,542
Interest Earned	285	179	173	637
Total Funds Available	<u>24,922</u>	<u>8,256</u>	<u>9,787</u>	<u>42,965</u>
Less:				
Principal and Interest	(18,513)	-	-	(18,513)
Truck Expense	<u>-</u>	<u>-</u>	<u>(6,149)</u>	<u>(6,149)</u>
Balance - June 30, 2001	<u>\$ 6,409</u>	<u>\$ 8,256</u>	<u>\$ 3,638</u>	<u>\$ 18,303</u>
<u>\$506,000 1998 Water Revenue Bonds</u>				
Balance - July 1, 2000	\$ 4,964	\$ 4,341	\$ 4,494	\$ 13,799
Add:				
Transfers From Operating	28,781	1,440	1,536	31,757
Interest Earned	70	118	123	311
Total Funds Available	<u>33,815</u>	<u>5,899</u>	<u>6,153</u>	<u>45,867</u>
Less:				
Principal and Interest	<u>(28,781)</u>	<u>-</u>	<u>-</u>	<u>(28,781)</u>
Balance - June 30, 2001	<u>\$ 5,034</u>	<u>\$ 5,899</u>	<u>\$ 6,153</u>	<u>\$ 17,086</u>
<u>\$130,000 Certificate of Indebtedness</u>				
Balance - July 1, 2000	\$ 18,250	\$ -	\$ -	\$ 18,250
Add:				
Transfers from Operating	18,958	-	-	18,958
Interest Earned	175	-	-	175
Total Funds Available	<u>37,383</u>	<u>-</u>	<u>-</u>	<u>37,383</u>
Less:				
Principal and Interest	<u>(17,264)</u>	<u>-</u>	<u>-</u>	<u>(17,264)</u>
Balance - June 30, 2001	<u>\$ 20,119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,119</u>

(Continued)

TOWN OF NEWELLTON
SCHEDULE OF CHANGES IN RESTRICTED ASSETS (Concluded)
FOR THE YEAR ENDED JUNE 30, 2001

	<u>Bond and Interest Redemption</u>	<u>Bond Reserve</u>	<u>Depreciation and Contingency</u>	<u>Total</u>
<u>\$80,000 Certificate of Indebtedness</u>				
Balance, June 30, 2000	\$ 417	\$ -	\$ -	\$ 417
Add:				
Transfers from Operating	1,079	-	-	1,079
Intergovernmental Revenue - Local	9,955	-	-	9,955
Interest Earned	21	-	-	21
Total Funds Available	<u>11,472</u>	<u>-</u>	<u>-</u>	<u>11,472</u>
Less:				
Payment on Principal and Interest	<u>(9,955)</u>	<u>-</u>	<u>-</u>	<u>(9,955)</u>
Balance - June 30, 2001	<u>\$ 1,517</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,517</u>

TOWN OF NEWELLTON
SCHEDULE OF INSURANCE COVERAGE
June 30, 2001

Property or Risk And Insurance Company	Kind of Insurance And Term	Maximum Coverage
Employees Louisiana Municipal Risk Management Agency	Worker's Compensation Employers 1/1/01 to 1/1/02	Statutory
Vehicle Louisiana Municipal Risk Management Agency	Liability 5/1/01 to 5/1/02	\$500,000 Deductible - None
Multi-Peril Louisiana Municipal Risk Management Agency	Premises/Operations Products/Completed Operations Medical Payments Fire Legal Liability 5/1/01 to 5/1/02	\$500,000 \$500,000 Aggregate \$1,000 per Person \$10,000 per Accident \$50,000 Deductible - None
Police Department Louisiana Municipal Risk Management Agency	Law Enforcement Officers Comprehensive Liability 5/1/01 to 5/1/02	\$500,000 \$1,000 Deductible
Public Officials Louisiana Municipal Risk Management Agency	Errors and Omissions Liability 5/1/01 to 5/1/02	\$500,000 \$1,000 Deductible
Mayor and Town Clerk	Fidelity Bond	\$85,000 on Each Employee
Assistant Town Clerk Western Surety Company	Fidelity Bond 11/8/00 to 11/8/01	\$50,000
Vehicles Audubon Indemnity Company	Commercial Automobile Physical Damage Coverage 8/20/00 to 8/20/01	Actual Cash Value Deductible \$500.00

(Continued)

TOWN OF NEWELLTON
SCHEDULE OF INSURANCE COVERAGE (Concluded)
June 30, 2001

<u>Property or Risk And Insurance Company</u>	<u>Kind of Insurance And Term</u>	<u>Maximum Coverage</u>
Equipment Audubon Insurance Company	Inland Marine Coverage 8/20/00 to 8/20/01	Actual Cash Value
Buildings and Contents American Central Insurance Co.	Multi-Peril 8/10/00 to 8/10/01	\$535,500 with a 90% Co-insurance Deductible \$1,000

**TOWN OF NEWELLTON, LOUISIANA
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2001**

COMPENSATION PAID ALDERMEN

The schedule of compensation paid to Aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of Louisiana Legislature. Compensation of the Aldermen is included in general administration expenditures of the General Fund.

	<u>Compensation</u>
Kenneth Morgan	\$ 3,600
Edwin Britt	3,600
Glen McCarty	1,800
David Delaney	3,600
Billy Mitchell	1,800
Clara Bass	3,600
Total Compensation	\$ <u>18,000</u>

**SUPPLEMENTARY INFORMATION -
GRANT ACTIVITY**

TOWN OF NEWELLTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>AWARD AMOUNT</u>	<u>EXPENDITURES</u>
U. S. Department of Justice:			
Direct Program:			
COPS Grant	16.710	\$ <u>43,632</u>	\$ <u>7,140</u>
United States Department of Housing and Urban Development:			
Passed Through Louisiana Division of Administration, Office of Community Development			
Community Development Block Grants	14.228A	<u>845,926</u>	<u>405,852</u>
United States Department of Agriculture			
Passed Through Macon Ridge Economic Development Region, Inc.			
Rural Development	10.769	<u>50,000</u>	<u>28,718</u>
Total Expenditures of Federal Awards		\$ <u><u>939,558</u></u>	\$ <u><u>441,710</u></u>

See Notes to Schedule of Expenditures of Federal Awards

TOWN OF NEWELLTON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001

1. General

The Schedule of Expenditures of Federal Awards presents the activity of all Federal awards of the **Town of Newellton, Louisiana** (the Town). The Town reporting entity is defined in Note 1 to the Town's general purpose financial statements. All Federal awards received directly from Federal agencies, as well as Federal awards passed through other government agencies, is included on the schedule.

2. Basis of Accounting

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the Town's general purpose financial statements.

3. Relationship of the Schedule of Expenditures of Federal Awards to the General Purpose Financial Statements of the Town

Federal awards reported on the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances during fiscal 2001 are: General Fund - \$7,140; Capital Projects Fund - \$405,852; and, Special Revenue Funds - \$28,718 in Federal Grants.



John L. Luffey, MBA, CPA
Francis I. Huffman, CPA
L. Fred Monroe, CPA
Esther Atteberry, CPA
Carolyn A. Clarke, CPA

**REPORT ON COMPLIANCE AND INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Town of Newellton
Monroe, Louisiana**

We have audited the general purpose financial statements of the **Town of Newellton** (the Town) as of and for the year ended June 30, 2001 and have issued our report thereon dated November 23, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor.

Compliance

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we did note an immaterial instance of noncompliance that we have reported to management of the Town in a separate letter dated November 23, 2001.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting 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 over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town's ability to record, process, summarize and report financial data consistent with the assertions of

**Town of Newellton
Newellton, Louisiana**

management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 01-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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 over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 01-01 to be a material weakness. We also noted other matters involving the internal control over financial reporting which we have reported to management of the Town in a separate letter dated November 23, 2001.

This report is intended for the information of management of the Town, its oversight agency, other entities granting funds to the Town and the Legislative Auditor for the state of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.



(A Professional Accounting Corporation)

November 23, 2001



John L. Luffey, MBA, CPA
Francis I. Huffman, CPA
L. Fred Monroe, CPA
Esther Alleberry, CPA
Carolyn A. Clarke, CPA

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

**Town of Newellton
Newellton, Louisiana**

Compliance

We have audited the compliance of the **Town of Newellton** (the City) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2001. The Town's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2001.

**Town of Newellton
Newellton, Louisiana**

Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major Federal program being audited 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 over compliance and its operations that we consider to be a material weakness.

This report is intended for the information of management of the City, its oversight agency, other entities granting funds to the Town and the Legislative Auditor for the state of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.



(A Professional Accounting Corporation)

November 23, 2001

**TOWN OF NEWELLTON, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001**

(1) The following are the applicable elements of the Summary of Auditor's Result:

- i) The independent auditors' report on the general purpose financial statements of the Town of Newellton, Louisiana (the Town) as of and for the year ended June 30, 2001 was unqualified;
- ii) There was one instance of reportable conditions in the internal control over financial reporting disclosed during the audit of the general purpose financial statements of the Town, of which was reported as a material weakness;
- iii) There were no instances of noncompliance reported which are considered material to the general purpose financial statements of the Town as of and for the year ended June 30, 2001;
- iv) There were no reported instances of reportable conditions in the internal control over major Federal programs;
- v) The auditor's report on the Town's compliance with requirements applicable to major programs was unqualified for all major programs.
- vi) The audit of the Town's compliance with requirements applicable to major Federal programs disclosed no findings required to be reported under the provisions of OMB Circular A-133 Section .510(a);
- vii) The major Federal programs for purposes of the report were the COPS Grant (CFDA No. 16.710); the Community Development Block Grants (CFDA No. 14.228A); and, the Rural Development Grant (CFDA No. 10.769).
- viii) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000; and,
- ix) The Town did not qualify as a low-risk auditee under the provisions of OMB Circular A-133 section .530.

**TOWN OF NEWELLTON, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001**

- (2) **Findings related to the financial statements which are required to be reported under Government Auditing Standards:**

01-01 Police Department Ticket Books

Finding:

In the past the Clerk's office maintained control over the Police Department ticket books and kept a record of which policemen had what ticket books and the Clerk's office accounted for all tickets as they were turned in. As personnel changed the procedures also changed and the control of the ticket books reverted to the police department. The Clerk's office does not have any way of knowing if all tickets issued to the policemen have been accounted for since they do not have control over the ticket book stock. Subsequent to June 30, 2001 the Police Chief was arrested due to allegations of his involvement in a conspiracy with the Justice of the Peace on ticket writing and the illegal collection of fines resulting from those tickets.

Recommendation:

The Town should again establish control over the unused ticket stock through the Clerk's office. The policemen should have to come to the Clerk's office to sign out for a book and should have to account to the Clerk's office for every ticket in the book. Tickets written should be turned in daily to the Clerk's office and the Clerk's office should maintain a list of all tickets outstanding by each policeman. When a policeman finishes with one book he would sign out for another book. To get this procedure started, all unused ticket stock being held by the police department and the individual policemen, would be turned over to the Clerk's office. The Clerk's office would then reissue the ticket books to the policeman as they sign for them.

Management's Corrective Action Plan:

As of January 1, 2002 the ticket books will be located in the Town Hall and all Police Officers will sign for ticket books and will be responsible for the book issued to him/her. Each officer will be responsible for turning in written tickets, weekly, to the Mayor. This will allow the Mayor to better prepare for Mayor's court.

- (3) **There were no findings or questioned costs for Federal awards, including those specified by OMB Circular A-133.**

**TOWN OF NEWELLTON, LOUISIANA
STATUS OF PRIOR YEAR FINDINGS**

The following is a summary of the status of the findings included in the Schedule of Findings and Questioned Cost and Management Letter dated November 15, 2000, issued in connection with our examination of the financial statement of the Town of Newellton, Louisiana as of and for the year ended June 30, 2001

Schedule of Findings and Questioned Cost

00-01 UNDOCUMENTED PAY RASISES

FINDING:

The Town employees received a 3% pay raise that was not documented in the minutes or in the individual personnel files to indicate approval by the Board of Alderman.

Status:

Corrective action has been taken.

Management Letter

1. COMPLIANCE WITH LOCAL GOVERNMENT BUDGET ACT

FINDING:

The Local Government Budget Act requires, among other things, that a budget be amended when actual expenditures exceed budget expenditures by 5 per cent or more. For the year ended June 30, 2000 expenditures of the Downtown Revitalization Special Revenue Fund exceeded budgeted amounts by more than 5 per cent.

Status:

Corrective action has been taken.



John L. Luffey, MBA, CPA
Francis I. Huffman, CPA
L. Fred Monroe, CPA
Esther Atteberry, CPA
Carolyn A. Clarke, CPA

MANAGEMENT LETTER

**Mayor Alex Davis
and Members of the Board of Aldermen
Town of Newellton
Newellton, Louisiana**

In planning and performing our audit of the general purpose financial statements of the Town of Newellton (the Town) for the year ended June 30, 2001, we considered its internal control structure in order to determine our auditing procedures for purposes of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure or overall compliance with laws and regulations.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and the overall environment for compliance with laws and regulations. This letter will summarize our comments and suggestions regarding those matters. This letter does not affect our report dated November 23, 2001 on the general-purpose financial statements of the Town.

1. Local Government Budget Act

Finding:

The Local Government Budget Act requires, among other things, that the budget be amended when actual revenues fall short of budgeted revenues by 5 per cent or more. For the year ended June 30, 2001, revenues of the General Fund fell short of budgeted amounts by 8.57 per cent. The Town amended its budget as close to year-end as possible. After the budget was amended, it was discovered that the interfund receivables and payables between Utility Enterprise Fund and the General Fund did not agree. Prior to the general ledger being closed, these interfund receivables and payables were reconciled and adjusted. These adjustments reduced the income received by the General Fund for garbage and limb collection.

Recommendation:

The Town should continue to closely monitor the budget and adopt required amendments to ensure that the actual revenues do not fall short of budgeted amounts by more than 5 per cent. They should also monitor the interfund receivables and payables monthly, and make any necessary adjustments to these accounts as needed.

Management's Corrective Action Plan:

The budget will be closely viewed and the Clerk will make every effort to view and control transfers between the Utility and General funds.

2. WATER, GAS, AND SEWER BILLING MATTERS

Finding:

In our test of billing rates for residential and commercial customers in the Utility Fund, we selected a sample of 15 of 696 customers from the billing period June 30, 2001 through July 31, 2001. Customer bills were computed using the rates set by the City Council and compared to the amounts shown on the billing register. We found that 4 of the 15 or 26.67% of those tested did not agree. The differences found resulted in an understatement of revenue for that billing period of \$417.56. The continued use of the wrong rates could understate revenue in the Utility Fund for the year by approximately \$5,000. Our test showed that some commercial customers were being billed for water at the residential rate and at the commercial rate for sewer, while other commercial customers were being billed for natural gas at a rate that was less than the rate set by the City Council. If the correct billing rates are not used, the City has the possibility to lose substantial revenue in its Utility Fund.

Recommendation:

We recommend that management look at all of the billing rates that are being charged to residential and commercial customers to insure that they are being billed at the appropriate rate as provided by the City Council.

Management's Corrective Action Plan:

The Clerk will manually check one month to see if the computer is calculating correctly. The Council has asked the engineers to determine which small business will be considered commercial and if commercial rates apply to them. The Council agreed that commercial rates may have to be adjusted.



(A Professional Accounting Corporation)

November 23, 2001