

TOWN OF NEWELLTON, LOUISIANA

Annual Financial Report

For the Year Ended June 30, 2022

TOWN OF NEWELLTON, LOUISIANA

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INDEPENDENT AUDITORS' REPORT

To the Honorable Timothy Turner, Mayor
And the Board of Alderman
Town of Newellton, Louisiana

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Newellton, Louisiana, as of and for the year ended June 30, 2022, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund of the Town as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Newellton, Louisiana, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit opinions.

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

The accompanying financial statements have been prepared assuming that the Town of Newellton will continue as a going concern. As discussed in Note 13 to the financial statements, the Town has experienced operating deficits for several years and the unrestricted net position deficit \$455,798 in this fiscal year. Management's evaluation of the events and conditions and management's plans regarding those matters also are described in Note 13. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of

Newellton, Louisiana's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Newellton, Louisiana's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Newellton's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Schedule of Employer's Proportionate Share of Net Position Liability, and Schedule of Employer's Contributions to Pension Plan be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be

an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Newellton, Louisiana's basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to Agency Head, Schedule of Compensation Paid to Members of the Board of Aldermen, and Justice System Funding Schedule – Collecting/Disbursing Entity, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, The Schedule of Compensation, Benefits, and Other Payments to Agency Head, Schedule of Compensation Paid to Members of the Board of Aldermen, and Justice System Funding Schedule – Collecting/Disbursing Entity are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2024 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town's internal control over financial reporting and compliance.

Bruno & Tervalon LLP

Lake Charles, Louisiana
July 1, 2024

REQUIRED SUPPLEMENTARY INFORMATION - PART I

TOWN OF NEWELLTON, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2022

As management of the Town of Newellton, we offer readers of the Town of Newellton's financial statements this narrative overview and analysis of the financial activities of the Town of Newellton for the fiscal year ended June 30, 2022. It is designed to assist the reader in focusing on significant financial issues, identify changes in the Town's financial position, and identify material deviations and individual fund issues or concerns.

Financial Highlights

- The assets and deferred outflows of the Town of Newellton exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$3,595,186 (net position).

Of this amount \$3,723,836 represented a restriction equal to the net amount invested in land and depreciable assets.

\$326,981 represents the restricted amount from the LCDBG fund balance.

The remaining \$455,631 represents an unrestricted net deficit.

The Town's total net position increased by \$254,381.

- As of close of the current fiscal year, the Town of Newellton's governmental fund reported an ending fund balance of \$330,130, an increase of \$348,618 in comparison with the prior year. Of this total amount, balance of \$3,149 is available for spending at the government's discretion (*unassigned fund balance*). Balance of \$326,981 is restricted for spending on capital projects (*restricted fund balance*).

Overview of the Financial Statements

The MD&A is intended to serve as an introduction to the Town of Newellton's basic financial statements. The Town of Newellton's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Newellton finances, in a manner similar to a private-sector business.

The statement of net position presents information of all of the Town of Newellton's assets, deferred outflows, liabilities, and deferred inflows with the difference between these items being reported at net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Newellton improving or deteriorating.

TOWN OF NEWELLTON, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) For the Year Ended June 30, 2022

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods. (e.g., uncollected taxes).

Both government-wide financial statements distinguish functions of the Town of Newellton that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town of Newellton include general government, public safety and public works. The business-type activities of the Town of Newellton include water, sewer, and gas systems.

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund Financial Statements

A fund is grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Newellton, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the Town of Newellton can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Newellton maintains two governmental funds – a General Fund and LCDBG Fund that are grouped for management purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues,

TOWN OF NEWELLTON, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) For the Year Ended June 30, 2022

expenditures, and changes in fund balances for the General Fund, which is the only major fund. Data from the other governmental funds are combined into a single, aggregated presentation.

Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Town of Newellton adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided on page 41 for the General Fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 14 through 17 of this report.

Proprietary Funds

The Town of Newellton maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements can be found on pages 18 through 20 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 21 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the Town of Newellton's compliance with budgets for its major governmental fund.

Government-wide Financial Analysis

The statement of net position and the statement of activities are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The statement of net position presents financial information on all the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. All the year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes in net position. Increases or decreases in the Town's net position are one indicator of whether its financial health is improving

TOWN OF NEWELLTON, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) For the Year Ended June 30, 2022

or deteriorating. In the case of the Town of Newellton, assets and deferred outflows exceeded liabilities and deferred inflows by \$3,595,185 at June 30, 2022. The combined net position increased by \$254,380 between fiscal years 2022 and 2021.

The statement of net position and statement of activities reflect the Town's governmental activities (e.g., its basic service), such as general governmental, public safety, and public works. Property taxes, sales taxes, and state federal grants finance most of these activities. Our analysis below focuses on the summary of net position (Table 1) and changes in net position (Table 2) of the Town's governmental and business-type activities and are as follows:

Table 1
Summary of Net Position
As of June 30, 2022 and 2021

	<u>Governmental Activities</u>		<u>Business- Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Assets:						
Current and other assets	\$ 352,913	\$ 13,493	\$ 123,203	\$ 80,062	\$ 476,116	\$ 93,555
Capital assets, net	416,067	453,254	3,307,769	3,447,478	3,723,836	3,900,732
Total assets	<u>768,980</u>	<u>466,747</u>	<u>3,430,972</u>	<u>3,527,540</u>	<u>4,199,952</u>	<u>3,994,287</u>
Deferred outflows of resources	<u>55,013</u>	<u>93,397</u>	<u>-</u>	<u>-</u>	<u>55,013</u>	<u>93,397</u>
Liabilities:						
Current and other liabilities	22,783	31,981	332,063	304,140	354,846	336,121
Long-term liabilities	<u>195,031</u>	<u>349,971</u>	<u>-</u>	<u>-</u>	<u>195,031</u>	<u>349,971</u>
Total liabilities	<u>217,814</u>	<u>381,952</u>	<u>332,063</u>	<u>304,140</u>	<u>549,877</u>	<u>686,092</u>
Deferred inflows of resources	<u>109,901</u>	<u>60,787</u>	<u>-</u>	<u>-</u>	<u>109,901</u>	<u>60,787</u>
Net position:						
Net investment in capital	416,067	453,254	3,307,769	3,447,478	3,723,836	3,900,732
Restricted	326,981	-	-	-	326,981	-
Unrestricted (Deficit)	<u>(246,770)</u>	<u>(335,849)</u>	<u>(208,861)</u>	<u>(224,078)</u>	<u>(455,631)</u>	<u>(559,927)</u>
Total net position	<u>\$ 496,278</u>	<u>\$ 117,405</u>	<u>\$ 3,098,908</u>	<u>\$ 3,223,400</u>	<u>\$ 3,595,186</u>	<u>\$ 3,340,805</u>

Current assets and other assets are comprised of cash, investment, receivable, and other investment in jointly owned gas operation.

Capital assets consisting of land, buildings, machinery and equipment, water system, sewer system, and gas system. Net investment in capital assets of \$3,723,836 consists of capital assets at original cost \$9,340,747, less accumulated depreciation of \$5,616,911. The Town of Newellton uses these capital assets to provide services to citizens: consequently, these assets are not available for future spending.

TOWN OF NEWELLTON, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) For the Year Ended June 30, 2022

Deferred inflows and outflows fluctuated by amounts related to the calculations related to pensions and OPEB as well as an additional amount related to the refunding bonds.

The net position of the Town's governmental activities increased by 323% to approximately \$496,300. Net position of the Town's business-type activities decreased 4% to approximately \$3,098,900.

Changes in net position

The Town's total revenue increased from the prior year by 68% to approximately \$1,467,600 (see Table 2 below) Approximately 48% of the Town's revenue comes from charges for services, and 52% comes from other general revenues and grants.

The total cost of programs and services increased from the prior year by 14% to approximately \$1,213,200 (see Table 2 below)

Table 2
Changes in Net Position
Fiscal Years Ended June 30, 2022 and 2021

	Governmental Activities		Business- Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues:						
Charges for services	\$ 216,708	\$ 145,942	\$ 482,481	\$ 492,200	\$ 699,189	\$ 638,142
Operating grants and contributions	538,432	11,748	-	4,891	538,432	16,639
General Revenues:						-
Property taxes	80,759	77,348	-	-	80,759	77,348
Sales taxes	84,805	80,095	-	-	84,805	80,095
Other taxes	5,957	4,908	-	50	5,957	4,958
Other general revenues	58,379	57,163	52	563	58,431	57,726
Transfers	31,208	32,958	(31,208)	(32,958)	-	-
Total revenues	1,016,248	410,162	451,325	464,746	1,467,573	874,908
Expenses						
General government	97,500	170,909	-	-	97,500	170,909
Public safety	97,933	81,143	-	-	97,933	81,143
Public works	441,942	214,048	-	-	441,942	214,048
Water, sewer, and gas expenses	-	-	575,817	598,292	575,817	598,292
Total expenses	637,375	466,100	575,817	598,292	1,213,192	1,064,392
Increase (decrease) in position	\$ 378,873	\$ (55,938)	\$ (124,492)	\$ (133,546)	\$ 254,381	\$ (189,484)
Net position – beginning	117,405	173,343	3,223,400	3,356,946	3,340,805	3,530,289
Net position – ending	\$ 496,278	\$ 117,405	\$ 3,098,908	\$ 3,223,400	\$3,595,186	\$ 3,340,805

TOWN OF NEWELLTON, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) For the Year Ended June 30, 2022

Governmental Activities

Revenues and transfers for the Town's governmental activities increased 148% with the most significant changes being limited to the approximately \$526,700 increase in operating grants and contributions. Total expense increased by 37%. Expenses are classified by functions/programs. General government accounts for approximately 15%, while public safety and public work account for approximately 15% and 69% respectively, for the fiscal year 2022.

Program revenues for the fiscal year 2022 directly related to those expenses totaled approximately \$755,100, which resulted in net program expense of approximately \$117,800. The remaining balance of expenses represents the cost to the taxpayers. The costs of governmental activities exceeding restricted state and federal grants are paid primarily from the following sources:

Operating grants and contributions is the single largest source of revenue in total and accounts for \$538,432.

Charges for services of \$216,708, sales tax revenue of \$84,805 and property taxes of \$80,759 are the other largest revenue sources for the Town of Newellton. For governmental activities, charges for services includes garbage pickup.

Business-type activities

Charges for services is the single largest source of revenue and includes charges for water, sewer, and gas in the business-type activities.

Revenues decreased 3% to approximately \$451,300 and expenses of the Town's business-type activities decreased 4% approximately to \$576,000.

Financial Analysis of the Government's Funds

As noted earlier, the Town of Newellton uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Town of Newellton's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Newellton's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Town of Newellton's governmental funds reported an ending fund balance of \$330,130, an increase of \$348,618 in comparison with the prior year. On this increase, there is an assigned fund balance of \$326,981 and an unassigned fund balance of \$3,149.

TOWN OF NEWELLTON, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) For the Year Ended June 30, 2022

General Fund Budgetary Highlights

In accordance with Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA-R.S 39:1301 et seq), the Town of Newellton must adopt a budget for the General Fund Prior to June 30. The original budget for the Town was adopted on July 14, 2021. During the fiscal year, the forecasted net change in fund balance of (\$129,195) resulted in a favorable variance of \$106,790 to the actual net change in fund balance of \$21,637.

Final Budget Compared to Actual Results

General fund revenue actual amounts were more than the final budget by 27.97%, (\$349,005 budget versus \$446,608 actual). Transfers in of an additional \$31,208 resulted in a \$128,811 positive variance of final budget. There was also a positive \$22,021 variance for expenditures where actual expenditures were less than budgeted by 4.6% (\$478,200 budget versus actual of \$456,179).

Capital Asset and Debt Administration

Capital Assets

The Town of Newellton's investment in capital assets for its governmental and business type activities as of June 30, 2022, amounts to \$9,340,747 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery, vehicles and equipment (See Table 3). In addition, depreciation expense totaled \$176,896. Table 3 presents capital assets net of depreciation at June 30, 2022 and 2021.

Table 3
Capital Assets
As of June 30, 2022 and 2021

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 1,000	\$ 1,000	\$ 19,650	\$ 19,650	\$ 20,650	\$ 20,650
Buildings	539,644	539,644	-	-	539,644	539,644
Vehicles	317,412	317,412	-	-	317,412	317,412
Furniture and equipment	37,811	37,811	185,092	185,092	222,903	222,903
Signage	8,750	8,750	-	-	8,750	8,750
Water System	-	-	2,784,720	2,784,720	2,784,720	2,784,720
Sewer System	-	-	2,877,474	2,877,474	2,877,474	2,877,474
Gas System	-	-	1,336,605	1,336,605	1,336,605	1,336,605
Streets and drainage	772,818	772,818	-	-	772,818	772,818
Construction in Progress	-	-	459,771	459,771	459,771	459,771
Total	1,677,435	1,677,435	7,663,312	7,663,312	9,340,747	9,340,747
Less: accumulated depreciation	(1,261,368)	(1,224,181)	(4,355,543)	(4,215,834)	(5,616,911)	(5,440,015)
Total capital assets	<u>\$ 416,067</u>	<u>\$ 453,254</u>	<u>\$3,307,769</u>	<u>\$ 3,447,478</u>	<u>\$3,723,836</u>	<u>\$3,900,732</u>

TOWN OF NEWELLTON, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended June 30, 2022

Long-Term Debt

The Town paid off its remaining bonds during fiscal year 2015 and has no other long-term debt except for its net pension liability of \$195,031.

Requests for Information

This financial report is designed to provide a general overview of the Town of Newellton's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Clerk, P.O. Box 477, Newellton, LA, 71357, or by calling 318-467-5050.

Basic Financial Statements

TOWN OF NEWELLTON, LOUISIANA

STATEMENT OF NET POSITION

June 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 339,340	\$ 3,373	\$ 342,713
Investments	-	2,831	2,831
Receivables, net	13,573	118,683	132,256
Total Current Assets	<u>352,913</u>	<u>124,887</u>	<u>477,800</u>
Non-Current Assets:			
Capital assets, net	416,067	3,307,769	3,723,836
Investment in jointly owned gas operations and maintenance fund (deficit)	-	(1,684)	(1,684)
Total Non-Current Assets	<u>416,067</u>	<u>3,306,085</u>	<u>3,722,152</u>
Total Assets	<u>768,980</u>	<u>3,430,972</u>	<u>4,199,952</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on pensions	55,013	-	55,013
Total Deferred Outflows of Resources	<u>55,013</u>	<u>-</u>	<u>55,013</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued expenses	5,177	224,214	229,391
Payroll liabilities	17,606	1,326	18,932
Deposits held:	-	106,523	106,523
Total Current Liabilities	<u>22,783</u>	<u>332,064</u>	<u>354,847</u>
Long term liabilities			
Net pension liability	195,031	-	195,031
Total Non-current Liabilities	<u>195,031</u>	<u>-</u>	<u>195,031</u>
Total Liabilities	<u>217,814</u>	<u>332,064</u>	<u>549,878</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on pension	109,901	-	109,901
Total Deferred Inflows of Resources	<u>109,901</u>	<u>-</u>	<u>109,901</u>
NET POSITION			
Net investment in capital assets	416,067	3,307,769	3,723,836
Restricted	326,981	-	326,981
Unrestricted (Deficit)	(246,770)	(208,861)	(455,631)
Total Net Position	<u>\$ 496,278</u>	<u>\$ 3,098,908</u>	<u>\$ 3,595,186</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF NEWELLTON, LOUISIANA

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2022

	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
				GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTALS
<u>Functions/Programs</u>						
Primary Government:						
Governmental Activities:						
General government	\$ 97,500	\$ -	\$ 538,432	\$ 440,932	\$ -	\$ 440,932
Public safety:	97,933	78,997	-	(18,936)	-	(18,936)
Public works:	441,942	137,711	-	(304,231)	-	(304,231)
Total governmental activities	637,375	216,708	538,432	117,765	-	117,765
Business-type Activities:						
Utility operations	575,650	482,481	-	-	(93,169)	(93,169)
Total business-type activities	575,650	482,481	-	-	(93,169)	(93,169)
Total primary government	<u>\$ 1,213,025</u>	<u>\$ 699,189</u>	<u>\$ 538,432</u>	<u>117,765</u>	<u>(93,169)</u>	<u>24,596</u>
General revenues:						
Ad valorem taxes				80,759	-	80,759
Sales taxes				84,805	-	84,805
Beer tax				3,913	-	3,913
Video poker				2,044	-	2,044
Licenses, permits, franchise fees				56,454	-	56,454
Interest earnings				16	17	33
Miscellaneous				1,909	35	1,944
Loss from jointly owned gas operations and maintenance fund				-	(167)	(167)
Total general revenues				<u>229,900</u>	<u>(115)</u>	<u>229,785</u>
Transfers in (out)				<u>31,208</u>	<u>(31,208)</u>	<u>-</u>
Change in net position				378,873	(124,491)	254,381
Net position at beginning of year				<u>117,405</u>	<u>3,223,400</u>	<u>3,340,805</u>
Net position at end of year				<u>\$ 496,278</u>	<u>\$ 3,098,908</u>	<u>\$ 3,595,186</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF NEWELLTON, LOUISIANA

**GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2022**

	General Fund	LCDBG Fund	Total Governmental Fund
ASSETS			
Cash	\$ 12,359	\$ 326,981	\$ 339,340
Receivables			
Sales taxes	<u>13,573</u>	<u>-</u>	<u>13,573</u>
Total assets	<u>25,932</u>	<u>326,981</u>	<u>352,913</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	5,177	-	5,177
Payroll liabilities	<u>17,606</u>	<u>-</u>	<u>17,606</u>
Total liabilities	<u>22,783</u>	<u>-</u>	<u>22,783</u>
Fund balances			
Restricted	-	326,981	326,981
Unassigned	<u>3,149</u>	<u>-</u>	<u>3,149</u>
Total fund balances	<u>3,149</u>	<u>326,981</u>	<u>330,130</u>
Total liabilities and fund balances	<u>\$ 25,932</u>	<u>\$ 326,981</u>	<u>\$ 352,913</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF NEWELLTON, LOUISIANA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2022**

Total fund balances of governmental funds \$ 330,130

Amounts reported for governmental activities are not financial resources
and therefore, are not reported in the governmental funds:

Governmental capital assets	1,677,435	
Less: accumulated depreciation	<u>1,261,368</u>	416,067

Long-term liabilities are not due and payable in the current period and
therefore are not reported in the governmental funds.

Net pension liability	(195,031)
-----------------------	-----------

Deferred outflows for pensions are not reported in the governmental
funds but are reported in the government-wide financial statements

55,013

Deferred inflows for pensions are not reported in the governmental
funds but are reported in the government-wide financial statements

(109,901)

Total net position of governmental activities \$ 496,278

The accompanying notes are an integral part of these financial statements.

TOWN OF NEWELLTON, LOUISIANA

**GOVERNMENTAL FUNDS, STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2022**

	General Fund	LCDBG Fund	Total Governmental Fund
Revenues			
Taxes			
Ad valorem	\$ 80,759	\$ -	\$ 80,759
Sales	84,805	-	84,805
Charges for services	137,711	-	137,711
Franchise fees	18,062	-	18,062
Licenses and permits	38,392	-	38,392
State	5,957	-	5,957
Fines and forfeitures	78,997	-	78,997
Use of money and property	1,925	-	1,925
Grants	-	538,432	538,432
Total revenues	<u>446,608</u>	<u>538,432</u>	<u>985,040</u>
Expenditures			
General government	127,755	-	127,755
Public safety-police	97,272	-	97,272
Public safety-fire	661	-	661
Public works	230,491	211,451	441,942
Total expenditures	<u>456,179</u>	<u>211,451</u>	<u>667,630</u>
Excess (deficiency) of revenues over expenditures	(9,571)	326,981	317,410
Other financing sources (uses)			
Transfers in	31,208	-	31,208
Total other financing sources (uses)	<u>31,208</u>	<u>-</u>	<u>31,208</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	21,637	326,981	348,618
Fund balance at the beginning of year	<u>(18,488)</u>	<u>-</u>	<u>(18,488)</u>
Fund balance at end of year	<u>\$ 3,149</u>	<u>\$ 326,981</u>	<u>\$ 330,130</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF NEWELLTON, LOUISIANA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES**

For the Year Ended June 30, 2022

Total net change in fund balances of governmental funds	\$ 348,618
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Amount reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of those
assets is allocated over their estimated useful lives and
reported as depreciation expense. Depreciation expense
did not exceed capital outlays for the year.

Depreciation Expense	(37,187)
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Certain increase and decrease related to deferred outflows,
deferred inflows, and net pension liability are not reported
in the Governmental Funds but are reported in the
government-wide financial statements

Deferred outflows increase (decrease)	(38,384)
---------------------------------------	----------

Deferred inflows decrease (increase)	(49,114)
--------------------------------------	----------

Net pension liability decrease (increase)	<u>154,940</u>
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Total change in net position of governmental activities	<u>\$ 378,873</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF NEWELLTON, LOUISIANA

**BUSINESS-TYPE ACTIVITIES-PROPRIETARY FUND
STATEMENT OF NET POSITION
June 30, 2022**

	Major Fund
<u>Assets</u>	<u>Enterprise Fund</u>
Current Assets	
Cash	\$ 3,373
Investments	2,831
Accounts receivable-net	118,683
Total current assets	124,887
Capital assets	
Non-depreciable	479,421
Depreciable	7,183,891
Total capital assets	7,663,312
Accumulated depreciation	(4,355,543)
Total capital assets, net	3,307,769
Other Assets	
Investment in jointly owned gas operations and maintenance fund	(1,684)
Total assets, net	3,430,972
Liabilities	
Current Liabilities	
Accounts payable and accrued expenses	224,214
Payroll liabilities	1,326
Customer deposits, payable from restricted assets	106,523
Total current liabilities	332,064
Net Position	
Net investment in capital assets	3,307,769
Unrestricted (Deficit)	(208,861)
Total net postion	\$ 3,098,908

The accompanying notes are an integral part of these financial statements.

TOWN OF NEWELLTON, LOUISIANA

BUSINESS TYPE ACTIVITIES-PROPRIETARY FUND
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2022

	<u>Major Fund</u> <u>Enterprise Fund</u>
Operating Revenues	
Water & gas sales	\$ 336,668
Sewerage & plumbing fees	129,437
Penalties earned	<u>16,411</u>
Total operating revenues	<u>482,516</u>
Operating Expenses	
Salaries and related benefits	56,607
Professional expense	90,747
Insurance	33,720
Supplies	183,632
Dues and subscriptions	8,823
Postage	1,289
Repairs and maintenance	538
Telephone	25,679
Travel and meetings	1,259
Utilities	23,630
Office equipment	5,153
Office rent	4,415
Depreciation	139,709
Miscellaneous	<u>450</u>
Total operating expenses	<u>575,650</u>
Operating income (loss)	<u>(93,134)</u>
Nonoperating Revenues (Expenses)	
Interest earnings	17
Loss from jointly owned gas operations and maintenance fund	<u>(167)</u>
Total nonoperating revenues (expenses)	<u>(150)</u>
Income (loss) before operating transfers	(93,284)
Operating Transfers	
Transfer out	<u>(31,208)</u>
Total transfers	<u>(31,208)</u>
Change in net position	(124,491)
Net position beginning of year	<u>3,223,400</u>
Net position end of year	<u><u>\$ 3,098,908</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF NEWELLTON, LOUISIANA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended June 30, 2022

Enterprise Fund
Water System

<u>Cash flows from operating activities</u>	
Receipts from customers	\$ 296,733
Other operating receipts	145,848
Payments to suppliers	(57,823)
Payments to employees	(56,607)
Other operating payments	(293,587)
Net cash provided (used) by operating activities	<u>34,564</u>
<u>Cash flows from noncapital financing activities</u>	
Noncapital transfers to other funds	<u>(31,373)</u>
Net cash provided (used) by non capital financing activities	<u>(31,373)</u>
<u>Cash flows from capital and related financing activities</u>	
Other capital receipts	<u>165</u>
Net cash provided (used) by capital and related financing activities	<u>165</u>
<u>Cash flows from investing activities</u>	
Interest and dividends	<u>17</u>
Net cash provided (used) by investing activities	<u>17</u>
Net increase (decrease) in cash and cash equivalents	3,373
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 3,373</u>
Reconciliation of operating income to net cash provided (used)	
by operating activities:	
Operating Income (Loss)	\$ (93,134)
Adjustments to reconcile operating income to net cash provided (used by) operating activities:	
Depreciation and amortization	139,709
(Increase) decrease in:	
Receivables, net	(39,935)
Increase (decrease) in:	
Accounts payable	21,858
Deficit Cash	(646)
Other liabilities	(1,882)
Customer deposits	<u>8,595</u>
Net cash provided (used) by operating activities	<u>\$ 34,565</u>
Supplemental disclosure of noncash investing, capital, and financing activities	
Loss from jointly owned gas operations and maintenance fund	<u>\$ (167)</u>
Decrease in the investment of the jointly owned gas operations and maintenance fund	<u>\$ 167</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2022

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The accompanying financial statements include all funds and account groups of the Town of Newellton, Louisiana (the Town). The accompanying 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, street and drain maintenance, garbage and trash collection, and administrative services. The Town also operates an enterprise fund to provide gas, sewerage, and water services.

As the governing authority for the municipality, the Town is the reporting entity. 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. 61 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.

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.

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the Year Ended June 30, 2022

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

Basis of Presentation

The Town's basic financial statements consist of the government-wide statements on all of the activities of the government and the fund financial statements. The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units.

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities for all activities of the government. As a general rule, the effect of interfund activity has been removed from these statements. The government-wide presentation focuses primarily on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Governmental Activities represent programs which normally are supported by taxes and intergovernmental revenues.

Business-Type Activities are financed in whole or in part by fees charged to external parties for goods and services.

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

Fund Financial Statements

The Town uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate.

Emphasis of fund reporting is on the major fund level in either the governmental or business-type categories. Non-major funds (by category) or fund type are typically summarized into a single column in the basic financial statements, but the Town does not have any non-major funds in this year.

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the Year Ended June 30, 2022

Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types". Governmental funds are used to account for a government's general activities, where the focus of attention is on the provision of services to the public as opposed to proprietary funds where the focus of attention is on recovering the cost of providing services to the public or other agencies through service charges or user fees. Fiduciary funds are used to account for assets held for others. The Town's current operations require the use of governmental fund and proprietary fund categories. The fund types used by the Town are described as follows:

Governmental activities presented as Governmental Funds in the fund financial statements:

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

Capital Projects Fund – This fund is used to account for the financial resources used for the acquisition or construction of major capital facilities.

Business-type activities presented as Enterprise Funds in the fund financial statements:

Enterprise Fund - This fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Enterprise funds are presented in the business-type activities column in government-wide financial statements and the major funds section of the fund financial statements.

In accordance with the provisions of GASB Statement 20, the Town has elected not to apply FASB statements and interpretations issued after November 30, 1989, to proprietary activities unless they are adopted by the GASB.

Revenues:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e., when they are "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 pay liabilities of the current period. The Town considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt which is recognized when due, and certain claims and judgments

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the Year Ended June 30, 2022

which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Ad valorem taxes attach as enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October of each year and are actually billed to the taxpayer in November. Billed taxes become delinquent on January 1 of the year following the year in which the taxes are due. Revenues from ad valorem taxes are budgeted in the year billed to the extent of collections expected. The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of Tensas Parish. Sales taxes are considered "measurable" when in the hands of the intermediary collecting governments and are recognized as revenue at that time. Interest earnings on time deposits are recognized as revenue when the time deposits have matured, and the interest is available. Substantially all other revenues are recognized when actually received by the Town. Operating revenues consist of taxes, fees for service provided, commissions for services, licenses and permits, intergovernmental revenues, fines and other miscellaneous revenues. All revenues not meeting the previously mentioned definitions are reported as non-operating revenues.

Expenditures and Expenses:

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

Operating expenditures and expenses consist of amounts paid for wages and related benefits, contractual services, supplies used, equipment and facility maintenance and operations, and other items directly or indirectly required for the provision of services. All expenses not meeting the previously mentioned definitions are reported as nonoperating expenses and expenditures.

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

Proprietary Funds:

The Enterprise 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 charged for services are as follows:

1. Water rates charged:
 - a. Residential customers are charged \$26 for the first 2,000 gallons of water and \$4 for each additional 1,000 gallons or fraction thereof. Effective March 1, 2019, the rates increased to \$29 for the first 2,000 gallons of water and \$5 for each additional 1,000 gallons or fraction thereof.

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the Year Ended June 30, 2022

- b. Commercial customers are charged \$31 for the first 2,000 gallons used and then \$4 for each additional 1,000 gallons or fraction thereof. Effective March 1, 2019, the rates increased to charged \$34 for the first 2,000 gallons used and then \$5 for each additional 1,000 gallons or fraction thereof.
- 2. Sewer rates charged:
 - a. Residential customers are billed \$14.20 for the first 2,000 gallons of water used and \$3.34 for each additional 1,000 gallons or fraction thereof. Effective March 1, 2019, the rates increased to \$16 for the first 2,000 gallons of water used and \$3.50 for each additional 1,000 gallons or fraction thereof.
 - b. Commercial customers are charged \$18.46 for the first 2,000 gallons of water purchased and \$3.34 for each additional 1,000 gallons or fraction thereof of water used. Effective March 1, 2019, the rates increased to \$25 for the first 2,000 gallons of water purchased and \$5.25 for each additional 1,000 gallons or fraction thereof of water used.
- 3. Gas rates charged to customers are \$13.00 per 1,000 cubic feet of gas used.
- 4. Garbage and limb collection rates charged:
 - a. Residential customers are billed \$10.53 per month. June 17, 2019, the Council approved to increase the rate to \$12.50 per month.
 - b. Commercial customers are billed \$14 per month. June 17, 2019, the Council approved to increase the rate to \$15 per month.

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.

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the Year Ended June 30, 2022

4. All legally adopted budgets of the Town are adopted on a basis consistent with GAAP. A budget is adopted for the General Fund; encumbrance accounting is not used by the Town.

Assets, Liabilities, and Fund Equity

Cash, Cash Equivalents, and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Town's investment policy allow the Town to invest in collateralized certificates of deposits, government backed securities, commercial paper, and state sponsored investment pool and mutual funds consisting solely of government backed securities. Deposits with original maturity dates exceeding 90 days are classified as investments. Investments are reported at fair value. The Town's investment policy is to only have certificates of deposit.

Interfund Receivables and Payables

Short-term cash loans between funds are considered temporary in nature. These amounts are reported as "due from/due to other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Capital Assets

Capital assets, which include land, buildings, other improvements, machinery and equipment, vehicles, furniture and fixtures, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

As permitted by GASB Statement No. 34, the Town has elected not to report infrastructure assets retroactively. Beginning with the year ended June 30, 2005, the Town began capitalizing infrastructure as expenditures when incurred.

The accounting and reporting treatment applied to the capital assets associated with a particular fund is determined by the fund's measurement focus. All purchased capital assets greater than \$1,000 are recorded at cost where historical records are available and at estimated cost where no historical records are available. Donated fixed assets are valued at fair market value at date of gift. Major additions are capitalized while maintenance and repairs that do not improve or extend the life of the respective assets are charged to expense. Interest is capitalized on funds used during construction of projects acquired with bond funds. No interest was capitalized during the year ended June 30, 2022.

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the Year Ended June 30, 2022

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, Sewer, and Gas Systems	50-99
Buildings	20-30
Equipment, Furniture, and Vehicles	3-10
Signage	10
Infrastructure Streets and Drainage	15

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System, and additions to / deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expenditure until then. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town's deferred outflows and deferred inflows are resources related to pensions.

Compensated Absences

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

Restricted Net Position

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

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments.

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the Year Ended June 30, 2022

Imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Equity of Fund Financial Statements

GASB 54 *Fund Balance Reporting and Governmental Fund Type Definitions* requires the fund balance amounts to be reported within the fund balance categories as follows:

Non-spendable: Fund balance that is not in spendable form or legally or contractually required to be maintained intact. This category includes items that are not easily converted to cash such as prepaid expenses.

Restricted: Fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers such as federal or state regulations for future use or through enabling legislation and are, therefore, not available for future appropriation or expenditure. The Town has \$326,981 in restricted fund balances in the current fiscal year.

Committed: Fund balance that can only be used for specific purposes determined by the Town's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit the funds. Committed fund balance is the result of either a policy of the Town or motions passed by the Board of Aldermen committing the funds. The Town does not have any such fund balances in the current fiscal year.

Assigned: Fund balance that is constrained by the Board of Aldermen's intent to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by the Board. The Town does not have any assigned fund balances in the current fiscal year.

Unassigned: Fund balance that is the residual classification for the general fund. The Town has not established benchmarks for unassigned fund balance requirements. The Board of Aldermen has not established a formal policy regarding the order of spending fund balances that are restricted, committed, or assigned. The Town's informal policy for the spending prioritization of fund balances is that restricted would receive top priority followed by committed. Assigned balances receive the least priority and would be authorized to be spent only if adequate funds were available. If expenditures incurred exceed the amounts that have been committed or assigned to a specific purpose, amounts unassigned would be reduced to eliminate the deficit.

Electrical System Operating Agreement

On September 9, 1998, 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 of twenty-five years. The agreement

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the Year Ended June 30, 2022

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 \$17,440 for the year ended June 30, 2022.

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 uses the allowance method for recognizing bad debts for customers' utility receivables. An allowance of \$12,059 has been set up for the year ended June 30, 2022.

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.

Equity Investments

The Town has a 50% ownership in a jointly owned gas line (see Note 8) that is accounted for using the equity method. Under this method, investments are carried at cost and increased or decreased by the Town's share of earnings or losses.

Note 2 - Expenditures- Budget and Actual

The Town incurred a positive budget variance for charges to appropriations for fiscal year 2022. Total expenditures were budgeted at \$478,200 but actual expenditures totaled \$456,179 resulting in a positive variance of \$22,021.

Note 3 - Cash and Investments

At June 30, 2022, the Town has cash and investments totaling \$345,544, which includes \$339,340 in the general funds cash account, \$3,373 in demand deposits and \$2,831 in certificates of deposit was comprised of the utility funds. Deposits are stated at cost, which approximates fair value. 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 fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. *Interest rate risk* – The Town's policy does not address interest rate risk. *Credit Risk* – The Town's policy does not address credit risk. *Custodial credit risk* – The custodial credit risk is the risk that in the event of

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the Year Ended June 30, 2022

a bank failure, the Town's deposits may not be returned to it. The Town's policy to ensure there is no exposure to this risk is to require each financial institution to pledge its' own securities to cover any amount in excess of Federal Depository Insurance Coverage. 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 bank has failed to pay deposited funds upon demand. At year-end, the Town's carrying amount of deposits was \$345,544 and bank balances of \$345,544, with up to \$250,000 which is covered by federal depository insurance. Accordingly, the Town had no custodial credit risk related to its deposits at June 30, 2022.

Note 4 - Accounts Receivable

Receivables are primarily composed of amounts due from residential customers living in the Town. Accounts receivable, net of allowance for doubtful accounts, are \$132,256 as of June 30, 2022 and are comprised of the following:

	<u>General Fund</u>	<u>Utility Fund</u>	<u>Total</u>
Accounts Receivable			
Sales Taxes	\$ 13,573	\$ -	\$ 13,573
Customer Receivables	-	130,742	130,742
Less: Allowance for Doubtful Accounts	-	(12,059)	(12,059)
Total	<u>\$ 13,573</u>	<u>\$ 118,683</u>	<u>\$ 132,256</u>

Note 5 - Interfund Transfers

During fiscal year 2022, the Utility Enterprise Fund transferred \$31,208 to the General Fund to cover where expenditures were exceeding revenues in the General Fund. Transfers are used to (1) move revenues from the fund that is required by statute or budget to collect them to the fund that is required by statute or budget to expend them, (2) use unrestricted revenues collected in the General fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 6 - Ad Valorem Taxes

For the year ended June 30, 2022, ad valorem taxes of 25.20 mills were levied on property with assessed valuations (exclusive of homestead exemption) totaling \$3,452,871 for general purposes. Ad valorem taxes attach as enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October of each year and are actually billed to the taxpayer in November. 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 values determined by the assessor of Tensas Parish. At June 30, 2022, substantially all taxes have been collected.

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2022

Note 7 - Changes in Capital Assets

The following schedule presents changes in capital assets for the year ended June 30, 2022:

	Balance 6/30/2021	Additions	Deletions	Balance 6/30/2022
Governmental Activities				
Nondepreciable assets				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Total nondepreciable assets	1,000	-	-	1,000
Depreciable assets				
Building	53,218	-	-	53,218
Vehicles	317,412	-	-	317,412
Furniture and equipment	37,811	-	-	37,811
Fire Station	486,426	-	-	486,426
Signage	8,750	-	-	8,750
Streets and drainage	772,818	-	-	772,818
Total depreciable assets	1,676,435	-	-	1,676,435
Less accumulated depreciation	(1,224,181)	(37,187)	-	(1,261,368)
Net governmental activities				
Capital assets	<u>\$ 453,254</u>	<u>\$ (37,187)</u>	<u>\$ -</u>	<u>\$ 416,067</u>
Business-type activities				
Nondepreciable assets				
Land	\$ 19,650	\$ -	\$ -	\$ 19,650
Construction in Progress	459,771	-	-	459,771
Total nondepreciable assets	479,421	-	-	479,421
Depreciable assets				
Water system	2,784,720	-	-	2,784,720
Sewer system	2,877,474	-	-	2,877,474
Gas system	1,327,176	-	-	1,327,176
Gas pipeline	9,429	-	-	9,429
Service equipment	185,092	-	-	185,092
Total depreciable assets	7,183,891	-	-	7,183,891
Less accumulated depreciation	(4,215,834)	(139,709)	-	(4,355,543)
Net business-type capital assets	<u>\$ 3,447,478</u>	<u>\$ (139,709)</u>	<u>\$ -</u>	<u>\$ 3,307,769</u>

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the Year Ended June 30, 2022

Detailed records of capital 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 longtime 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 \$37,187 was charged to governmental activities as follows: General Government, \$1,000; Public Safety, \$17,478; and Public Works, \$18,709. Depreciation of \$139,709 as of June 30, 2022, was charged to expense in for utility operations.

Note 8 - Investment in Joint Gas Line

The Towns of Newellton and St. Joseph, Louisiana entered into a joint venture in 1954, called the Town of Newellton and the Town of St. Joseph, Louisiana Jointly Owned Gas Operations and Maintenance Fund (the Joint Gas Line) to provide natural gas to the two towns for resale to their citizens and approximately fifteen other customers in the service area. Currently, each town is required to purchase gas directly from the supplier and each town is responsible for maintaining the costs of the joint gas line. The Boards of Aldermen and the Mayors of the two towns govern the Joint Gas Line but its accounting is handled by the Town of St. Joseph. Each of the Towns own 50% of the net worth of the joint venture. This amount is typically shown as an asset called Investment in Joint Gas Line.

Summary Financial information for the joint venture at June 30, 2022, and for the year then ended, is as follows:

Assets	
Cash and cash equivalents	\$ 6,021
Total assets	<u>6,021</u>
Liabilities	
Accounts payable and accrued expenses	9,226
Customer deposits	<u>163</u>
Total liabilities	<u>9,388</u>
Net Position (Deficit) - Unrestricted	<u><u>\$ (3,367)</u></u>

The Joint Gas Line's net position decreased by \$334 in fiscal year 2022. The Joint Gas Line issues an annual publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by visiting the Louisiana Legislative Auditor's website at www.lla.la.gov.

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the Year Ended June 30, 2022

Note 9 - Pension Plan-Municipal Employees' Retirement System of Louisiana

Plan Description

The Town contributes to the Municipal Employees' Retirement System of Louisiana (the System) which is a cost-sharing, multiple-employer, and defined benefit pension plan. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan A.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Any person whose first employment making them eligible for membership in the System occurred on or after January 1, 2013 shall become a member of the MERS Plan

A Tier 2. Any member of Plan A who commenced participation in the System prior to January 1, 2013 can retire providing the member meets one of the following criteria:

1. Any age with 25 years or more of creditable service.
2. Age 60 with a minimum of ten years of creditable service.
3. Any age with five years of creditable service eligible for disability benefits.
4. Survivor's benefits require five or more years creditable service with legal spouse at least last 12 months before death – 40% at age 60 or minimum of 20% immediately (actuarially calculated).
5. Any age with 20 years of creditable service, exclusive of military service with an actuarially reduced early benefit.

Any member of Plan A Tier 2 can retire providing the member meets one of the following requirements:

1. Age 67 with seven years of creditable service.
2. Age 62 with ten years of creditable service.
3. Age 55 with 30 years of creditable service
4. Any age with 25 years of creditable service with an actuarially reduced early benefit.
5. Survivor's benefits require five or more years of creditable service with legal spouse at least last 12 months before death – 40% at age 60 or minimum of 20% immediately (actuarially calculated).

Generally, the monthly amount of the retirement allowance for any member of Plan A shall consist of an amount equal to 3% of the employee's monthly average final compensation multiplied by their years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the Year Ended June 30, 2022

to specified amounts. The System also provides death and disability benefits. Benefits are established or amended by state statute.

For the year ended June 30, 2022, the Town's total payroll for all employees was \$248,983. Total covered payroll was \$122,487. Covered payroll refers to all compensation paid by the Town to active employees covered by the Plan.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810, or by visiting the System's website www.mersla.com.

Contributions

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ended June 30, 2022, the actual employer contribution rate was 29.50% for Plan A, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations.

Under Plan A, members are required by state statute to contribute 10.00% of their annual covered salary. The contributions are deducted from the employee's wages or salary and remitted by the Town to the System monthly. The Town's contributions to the System under Plan A for the year ending June 30, 2022 were \$47,816.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810, or by visiting the System's website www.mersla.com.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the Town reported a liability of \$109,901 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2022, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Town's proportion of the Net Pension Liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022,

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the Year Ended June 30, 2022

the Town's proportion was 0.070117%, which was a decrease of 0.010831% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the Town recognized pension expense of \$22,335 plus amortization of changes in proportionate share and differences between employer contributions and proportionate share of contributions, which was a deficit of \$47,693. Total pension benefit for the Town for the year ended June 30, 2022 was \$25,358.

The Town recognized revenue in the amount of \$5,232 for support provided by nonemployer contributions.

At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources:	Deferred Inflows of Resources:
Differences between expected and actual experience	\$ 70	\$ 2,230
Changes of assumptions	7,127	-
Net difference between projected and actual earnings on pension plan investments	-	54,952
Changes in proportions and differences between employer contributions and proportionate share on contributions	-	52,719
Employer contributions subsequent to the measurement date	47,816	-
Total pension	<u>\$ 55,013</u>	<u>\$ 109,901</u>

Deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30:	
2022	\$ (46,044)
2023	(23,891)
2024	(14,167)
2025	(18,601)
Total	<u>\$ (102,703)</u>

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the Year Ended June 30, 2022

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2022, are as follows:

Valuation date	June 30, 2021
Actuarial cost method	Entry Age Normal
Expected remaining service lives	3 years
Investment rate of return	6.85%, net of pension plan investment expense, including inflation
Inflation rate	2.5%
Salary increases, including inflation	6.4%-Plan A and 7.4%-Plan B 4.5%-Plan A and 4.9%-Plan B
Annuitant and beneficiary mortality	PubG-2010(B) Healthy Retiree Table set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales.
Employee mortality	PubG-2010(B) Employee Table set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales.
Disabled lives mortality	PubNS-2010(B) Disabled Retiree Table set equal to 120% for males and females with the full generational MP2018 scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification.

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the Year Ended June 30, 2022

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 are summarized in the following table:

Discount Rate

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public equity	53.0%	2.31%
Public fixed income	38.0%	1.65%
Alternative investments	<u>9.0%</u>	<u>0.39%</u>
Totals	<u>100.0%</u>	<u>4.35%</u>
Inflation		<u>2.60%</u>
Expected arithmetic nominal return		<u>6.95%</u>

The discount rate used to measure the total pension liability was 6.85% for the year ended June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.85%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (5.85%) or one percentage-point higher (7.85%) than the current rate:

	<u>1% Decrease (5.85%)</u>	<u>Current Discount Rate (6.85%)</u>	<u>1% Increase (7.85%)</u>
Net pension liability	<u>\$ 288,850</u>	<u>\$ 195,031</u>	<u>\$ 115,787</u>

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the Year Ended June 30, 2022

Payables to the Pension Plan

These financial statements include a payable to the pension plan, which is the legally required contribution due as of June 30, 2022. This amount is recorded in accrued expenses.

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued Municipal Employees' Retirement System of Louisiana Audit Report at www.mersla.com.

Note 10 - Utilities Operation

Operation of the Town of Newellton utility system consists of Water, Gas, Sewer and Garbage services. Operating results of the individual utilities for the year ended June 30, 2022 are as follows:

	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>
Operating Revenues	\$ 126,474	\$ 158,186	\$ 128,950	\$ 68,906
Operating Expenses	<u>150,000</u>	<u>236,675</u>	<u>125,548</u>	<u>63,427</u>
Operating Income	<u>\$ (23,526)</u>	<u>\$ (78,489)</u>	<u>\$ 3,402</u>	<u>\$ 5,479</u>

Operating expenses above include costs which cannot be directly associated with a single department and thus, these expenses have been allocated on the basis of gross utility sales.

Note 11 - Risk Financing Activities

The Town is a participating member in the Louisiana Municipal 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 coverage and provides coverage of 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.

The Town's coverage had ended at the end of the policy period on May 1, 2016. The Town obtained coverage for its vehicle portion of its policy beginning on November 16, 2017. Remaining coverage for commercial general liability, errors and omissions and law enforcement began on November 16, 2017.

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the Year Ended June 30, 2022

Note 12 - Adoption of New Accounting Standards

The following is a summary of accounting standards adopted by the Governmental Accounting Standards Board (GASB) that are scheduled to be implemented in the future that may affect the Town's financial report:

GASB Statement 87. Leases. This standard will require all leases to be reported on the Statement of Net Position under a single accounting model for both lessors and lessees. The statement will require the recognition of leased assets or liabilities for leases previously reported as operating leases. Both operating and capital leases will be reported under this single accounting method and reported by lessees as an intangible right to use asset and by lessors as a receivable with both reporting a deferred inflow of resources. This standard is effective for annual reporting periods beginning after June 15, 2021. The Town will include the requirements of this standard, as applicable, in its June 30, 2023 financial statements. All of the Town's lease agreements, if any, will need to be evaluated to determine the impact of implementing this standard, however, the effect of this standard or its applicability to the Town are unknown at this time.

GASB Statement 89. Accounting for Interest Cost Incurred before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The Town will include the requirements of this standard, as applicable, in its June 30, 2023 financial statements. The effect of this standard or its applicability to the Town are unknown at this time.

GASB Statement 91. Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The Town does not believe it will be impacted by this statement.

Note 13 - Uncertainty about Going Concern

General Fund

For the year ended June 30, 2022, the General Fund's expenditures exceeded its revenues by \$9,571. The Town transferred \$31,208 from the Utility Fund to subsidize the General Fund which reduced the deficiency of revenues and other sources over expenditures and other uses to \$21,637. The General Fund's unrestricted equity balance on June 30, 2022, was \$3,149.

Unaudited financials indicate that operating expenditures exceeded operating revenues in fiscal year 2023. However, the losses for the three-year period of 2021-2023 are cumulatively more

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2022

than \$65,000 (unaudited). As of the report date, the Town continues to operate but resources are limited.

LCDBG Fund

For the year ended June 30, 2022, the LCDBG Fund's revenues exceeded its expenditures by \$178,374. The LCDBG Fund had a net increase of \$178,374 for the year. The LCDBG Fund's restricted equity balance on June 30, 2022, was \$178,374. The LCDBG Fund combined with the General Fund's deficit unrestricted net assets balance on June 30, 2022 was \$246,770.

Utility Fund

For the year ended June 30, 2022, the Utility Fund's expenses exceeded its revenues by \$93,277. Coupled with the \$31,208 transfer to the General Fund noted above, the Utility Fund had a net decrease of \$124,484 for the year. For the past four years, including fiscal year 2022, the Utility Fund's expenses have exceeded revenues. The Utility Fund's deficit unrestricted net assets balance on June 30, 2022 was \$208,854.

Unaudited financials indicate that the deficit continued in fiscal year 2023. The unaudited financials further indicate that neither fund is dedicated to a major repair, which may or may not happen, nor cash balances to restrict for the amount of customer deposits. It also does not include any additional costs for the Joint Gas Line which has shown a decline in operations and a negative fund balance. The Town owns 50% of this entity. As of the report date, the Town continues to operate but resources are limited.

It is unclear whether discontinuance of certain operations will be necessary to eliminate the uncertainty. The financial statements do not include any adjustments that might be necessary if the Town is unable to continue as a going concern.

REQUIRED SUPPLEMENTARY INFORMATION – Part II

TOWN OF NEWELLTON, LOUISIANA

GENERAL FUND BUDGETARY COMPARISON SCHEDULE For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable/ (Unfavorable)
Resources (inflows)				
Ad valorem taxes	\$ 72,000	\$ 72,000	\$ 80,759	\$ 8,759
Sales and other taxes	64,000	64,000	84,805	20,805
Charges for services	127,500	127,500	137,711	10,211
License and permits				
Franchise revenue	16,000	16,000	18,062	2,062
Occupational & other licenses	40,000	40,000	38,392	(1,608)
Intergovernmental revenue	4,000	4,000	5,957	1,957
Fines and forfeitures	25,000	25,000	78,997	53,997
Interest income	5	5	16	11
Grants	-	-	-	-
Miscellaneous	500	500	1,909	1,409
Total Revenues	349,005	349,005	446,608	97,603
Charges to appropriations (outflows)				
Current:				
General government	185,200	185,200	127,755	57,445
Public safety				
Police safety	109,000	109,000	97,272	11,728
Fire department	500	500	661	(161)
Public works	183,500	183,500	230,491	(46,991)
Total charges to appropriations (outflows)	478,200	478,200	456,179	22,021
Other financing sources (uses):				
Transfers in	-	-	31,208	31,208
Net changes in fund balances	\$ (129,195)	\$ (129,195)	\$ 21,637	\$ 106,790
Fund balances, beginning			(18,488)	
Fund balances, ending			\$ 3,149	

The accompanying notes are an integral part of required supplementary information.

TOWN OF NEWELLTON, LOUISIANA

NOTES TO BUDGETARY COMPARISON SCHEDULES (UNAUDITED) For the Year Ended June 30, 2022

A. BUDGETS

General Budget Practices

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

State statute requires budgets to be adopted for the general fund.

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.

After the public hearing, the budget is adopted by passing an ordinance approving the budget at the selected June board meeting.

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.

All legally adopted budgets of the Town are adopted on a basis consistent with GAAP. A budget is adopted for the General Fund; encumbrance accounting is not used by the Town.

TOWN OF NEWELLTON, LOUISIANA

**MUNICIPAL EMPLOYEE'S RETIREMENT SYSTEM (PLAN A)
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
(UNAUDITED)
For the Year Ended June 30, 2022**

Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability
2022	0.070117%	195,031	138,844	140%	78%
2021	0.080948%	349,971	154,719	226%	65%
2020	0.100875%	421,522	186,740	226%	65%
2019	0.108695%	448,829	197,897	227%	64%
2018	0.108695%	454,718	197,383	230%	62%
2017	0.092700%	379,948	165,595	229%	62%
2016	0.102087%	364,669	175,117	208%	66%
2015	0.141518%	363,198	205,487	177%	66%

*Amounts presented were determined as of the measurement date (previous fiscal year)

*This schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.*

TOWN OF NEWELLTON, LOUISIANA

**MUNICIPAL EMPLOYEE'S RETIREMENT SYSTEM (PLAN A)
SCHEDULE OF EMPLOYER'S CONTRIBUTION TO PENSION PLAN (UNAUDITED)
For the Year Ended June 30, 2022**

Year	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency	Employer's Covered Payroll	Contributions as a Percentage of Covered Employee Payroll
2022	40,959	47,817	(6,858)	122,487	39%
2021	42,934	52,425	(9,491)	138,844	38%
2020	48,552	48,552	-	154,719	31%
2019	48,550	48,550	-	186,740	26%
2018	48,980	48,980	-	197,897	25%
2017	44,905	44,905	-	197,383	23%
2016	32,705	32,705	-	165,595	20%
2015	34,450	34,450	-	175,117	20%
2014	38,350	38,530	-	205,487	19%

*Amounts presented were determined as of the end of the fiscal year.

*The schedules is intended to show information for 10 years.
Additional years will be displayed as they become available.*

TOWN OF NEWELLTON, LOUISIANA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
For the Year Ended June 30, 2022

Changes of Assumptions or Other Inputs

Changes in assumptions about future economic or demographic factors or of other inputs were recognized in the Town's pension expense using the straight-line amortization method over a period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

Changes in Proportion

Changes in the Town's proportionate share of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in the Town's pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan.

TOWN OF NEWELLTON, LOUISIANA

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
For the Year Ended June 30, 2022**

Chief Executive Officer: Timothy Turner, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 14,400
Benefits-retirement contributions	-
Mileage reimbursements	157
Purchase reimbursement	-
Total	<u><u>\$ 14,557</u></u>

See Independent Auditors' Report.

TOWN OF NEWELLTON, LOUISIANA

SCHEDULE OF COMPENSATION PAID TO ALDERMEN

For the Year Ended June 30, 2022

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

	<u>Compensation</u>
Richard Dumore	\$ 6,000
Edwin Britt	6,000
Lavone Garner	6,000
Mattie Sampson	6,000
Ben Britton	6,000
	<u>\$ 30,000</u>

See Independent Auditors' Report.

TOWN OF NEWELLTON, LOUISIANA

JUSTICE SYSTEM FUNDING SCHEDULE - COLLECTING/DISBURSING ENTITY

For the Year Ended June 30, 2022

Cash Basis Presentation	First Six Month Period Ended 12/31/2021	Second Six Month Period Ended 06/30/2022
Beginning Balance of Amounts Collected (i.e. cash on hand)	\$ -	\$ 30,967
Add: Collections		
Criminal Fines - Other	<u>30,967</u>	<u>48,030</u>
Subtotal Collections	<u>30,967</u>	<u>78,997</u>
Less: Disbursements to Individuals/3rd Party Collection or Processing Agencies	-	-
Restitution Payments to Individuals (additional detail is not required)	<u>-</u>	<u>-</u>
Subtotal Disbursements/Retainage	<u>-</u>	<u>-</u>
Total: Ending Balance of Amounts Collected but not Disbursed/Retained (i.e. cash on hand)	<u><u>\$ 30,967</u></u>	<u><u>\$ 78,997</u></u>

Other Information:

Ending Balance of Total Amounts Assessed but not yet Collected (*i.e. receivable balance*)

Total Waivers During the Fiscal Period (*i.e. non-cash reduction of receivable balances, such as time served or community service*)

See Independent Auditors' Report.

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Honorable Timothy Turner
And Members of the Board of Alderman
Town of Newellton, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business- type activities, each major fund, and the aggregate remaining fund information of the Town of Newellton, Louisiana, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Newellton, Louisiana’s basic financial statements and have issued our report thereon dated July 1, 2024.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2022-001 and 2022-002 that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Newellton, Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings 2022-003.

The Town's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Bruno & Tervalon LLP

Lake Charles, Louisiana
July 1, 2024

TOWN OF NEWELLTON, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2022

I. Summary of Auditors' Results

a. Financial Statements

1. The independent auditors' report expresses an unmodified opinion on the financial statements of the Town of Newellton, Louisiana.
2. There were two material weaknesses disclosed during the audit of the financial statements and reported in the *Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. There was one instance of noncompliance that is reported in the *Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.

b. Federal Awards

N/A

c. Management Letter

No management letter was issued in connection with the audit for the year ended June 30, 2022

TOWN OF NEWELLTON, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2022

2022-001 Financial Stability

First Year of Finding: 2019

Criteria

Local governments are required to exercise financial stability "...a condition in which the political subdivision is capable of meeting its financial obligations in a timely manner as they become due without substantial disposition of assets outside the ordinary course of business, substantial layoffs of personnel, or interruption of statutorily or other legally required services of the political subdivision, restricting of debt, revision of operations, or similar actions." (LA R.S. 39:1351(A)(1)(b))

Condition

General Fund

For the year ended June 30, 2022, the General Fund's revenues exceeded its expenditures by \$3,440. The Town transferred \$31,208 from the Utility Fund to subsidize the General Fund which resulted more than revenues and other sources over expenditures and other uses of \$34,648. For the past five years, including fiscal year 2022, the General Fund's expenditures have exceeded revenues by an average of \$110,120. The General Fund's unrestricted equity balance on June 30, 2022, was of \$16,160.

Unaudited financials indicate that operating revenue exceeded operating expenditures in fiscal year 2022. However, the losses for the three-year period of 2021-2023 are cumulatively more than \$56,000 (unaudited). As of the report date, the Town continues to operate but resources are limited.

Utility Fund

For the year ended June 30, 2022, the Utility Fund's expenses exceed its revenues by \$93,451. Coupled with the \$31,208 transfer to the General Fund noted above, the Utility Fund had a net decrease of \$124,659 for the year. The Utility Fund's deficit unrestricted net assets balance on June 30, 2022, was \$209,028.

Unaudited financials indicate that the deficit continued in fiscal year 2023. The unaudited financials further indicate that the Town has no funds dedicated to a major repair, which may or may not happen. The Town also has no cash to restrict for customer deposits. The Town budget does not include any additional costs for the Joint Gas Line which has also shown a decline in operations and a negative fund balance. The Town owns 50% of this entity. As of the report date, the Town continues to operate but resources are limited.

TOWN OF NEWELLTON, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2022

Cause

The Town's revenues failed to be sufficient to cover the Town's expenditures for multiple years.

Effect

There may be a going concern issue and / or noncompliance with state law.

Recommendations

Management should ensure expenditures do not exceed revenue.

Management's Response

The Town has an action plan to remove the deficit and operate in a manner that allows all expenditures to be covered by revenue. The plan is being presented to the Town governance November 15, 2023, and, upon approval, the Town will begin implementation immediately. The Town expects to correct all deficits in about a two-year time frame.

2022-002 Violations of Louisiana Local Government Budget Act

First Year of Finding: 2015

Criteria

A budget should be prepared annually in accordance with the applicable Louisiana Revised Statutes whereby the entity is in compliance with:

- 39:1305 Budget preparation
- 39:1306 Completion and submission of the proposed budget
- 39:1307 Public participation
- 39:1308 Inspection of the proposed budget
- 39:1309 Adoption
- 39:1313 Budget filing
- 33:406 Enactment, recording, and publication of ordinances and resolutions and if necessary, during the year:
- 39:1310 Amending the budget and if a budget is not adopted:
- 39:1312 Governing authority's failure to make appropriation

This revised statute requires if a budget is not adopted, "then fifty percent of the amounts appropriated in the appropriation ordinance or resolution for the last completed fiscal year shall be deemed reappropriated for the several objects and purposes specified in such appropriation ordinance or resolution".

TOWN OF NEWELLTON, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES For the Year Ended June 30, 2022

The total of proposed expenditures shall not exceed the total of estimated funds available for the ensuing fiscal year according to Louisiana Revised Statute 39:1305E.

The LGBA, pursuant to Louisiana Revised Statute 39:1310, provides two mandatory instances in which the adopted budget must be amended: (1) when the governing authority has received notification pursuant to Louisiana Revised Statute 39:1311, or (2) when there has been a change in operations upon which the originally adopted budget was developed.

Conditions Found

The Town's 2022 budget was not approved timely prior to the start of the new fiscal year.

The amounts available for appropriations was budgeted at \$349,005 and total charges to appropriations was budgeted at \$478,200 creating a deficit net change in fund balance.

The amounts available for appropriations was budgeted at \$349,005, which was exceeded by actual by \$97,603 (27.97%). This 27.96% increase would be considered a change in operations, which requires amendment of the budget.

Causes

The Council did not revise the budget when required.

A deficit of \$129,195 for the final budget was approved with no appropriations of excess funds to address the deficit.

The Town did not amend the budget when amounts available for appropriations exceeded the budgeted amount by 5%.

Effects

Management did not comply with the requirements of Louisiana Revised Statutes 39:1305E, 39:1306, 39:1307, 39:1308, 39:1309, 39:1313, 33:406, 39:1310, 39:1311, and 39:1312.

Recommendations to Prevent Future Occurrences

Management should monitor budget to actual financial comparisons and ensure the budget is revised when required to comply with the requirements of the Louisiana Local Budget Act. It is unlawful to pass a deficit budget in Louisiana, therefore revenues not budgeted cannot be spent, and expenditures greater than available funds must be reduced to avoid creating a deficit at the end of the fiscal year. The Town must also amend their budgets whenever revenues and expenditures rise or fall more than 5% after the budget has been adopted.

TOWN OF NEWELLTON, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2022

Management's Response

Town will initiate the budget processing at a date and time which will allow the Town to adopt budget prior to the end of the fiscal year-end. The Town will also amend their budgets whenever revenues and expenditures rise or fall more than 5% after the budget has been adopted. The Town will also appropriate funds accordingly to address any deficits when approving the budget.

2022-003 Late Submission of Audit Report to the Louisiana Legislative Auditor

First Year of Finding: 2013

Criteria

Louisiana Revised Statute 24:513A (5)(a)(i) requires that "...audits shall be completed within six months of the close of the entity's fiscal year." The Town's audit report should be submitted to the Louisiana Legislative Auditor by December 31st of each year.

Condition Found

The Town's audit report for the fiscal year ending June 30, 2022 was not completed within the six-month deadline as required by Louisiana Revised Statute 24:513A (a)(5)(i).

Cause

The trial balance was not presented for audit in a timely manner due to a computer error resulting in lost data needing to be reaccumulated. This delay was then compounded by the COVID-19 pandemic and multiple natural disasters. Further, illnesses and retention issues further delayed the audit.

Effect

Management did not comply with the requirements of Louisiana Revised Statute 24:513A (a)(5)(i).

Recommendations to Prevent Future Occurrences

The Town should have its financial records available for audit by July 31 of each year and engage with a CPA firm prior to fiscal year-end.

Management's Response

The Town will engage an auditor in a timely manner so that the auditor will have sufficient time to complete the audit by the statutory due date.

TOWN OF NEWELLTON, LOUISIANA

SUMMARY OF PRIOR YEAR FINDINGS (Continued) For the Year Ended June 30, 2022

Current Status

Unresolved. See Finding 2022-001.

2021-002 Violations of Louisiana Local Government Budget Act

Criteria

A budget should be prepared annually in accordance with the applicable Louisiana Revised Statutes whereby the entity is in compliance with:

- 39:1305 Budget preparation
- 39:1306 Completion and submission of the proposed budget
- 39:1307 Public participation
- 39:1308 Inspection of the proposed budget
- 39:1309 Adoption
- 39:1313 Budget filing
- 33:406 Enactment, recording, and publication of ordinances and resolutions and if necessary during the year:
- 39:1310 Amending the budget and if a budget is not adopted:
- 39:1312 Governing authority's failure to make appropriation

This revised statute requires if a budget is not adopted, "then fifty percent of the amounts appropriated in the appropriation ordinance or resolution for the last completed fiscal year shall be deemed reappropriated for the several objects and purposes specified in such appropriation ordinance or resolution".

Condition

The Town's 2021 budget approved July 10, 2019 was not approved timely. The amounts available for appropriations budgeted exceeded actual by \$56,023 (16.70%) and total charges to appropriations budgeted exceeded actual by \$13,312 (2.87%) with the budget being amended.

Recommendations to Prevent Future Occurrences

Management should monitor budget to actual financial comparisons and ensure the budget is revised when required to comply with the requirements of the Louisiana Local Budget Act.

Current Status

Unresolved. See Finding 2022-002.

TOWN OF NEWELLTON, LOUISIANA

SUMMARY OF PRIOR YEAR FINDINGS (Continued) For the Year Ended June 30, 2022

2021-003 Late Submission of Audit Report to the Louisiana Legislative Auditor

Criteria

Louisiana Revised Statute 24:513A (5)(a)(i) requires that "...audits shall be completed within six months of the close of the entity's fiscal year." The Town's audit report should be submitted to the Louisiana Legislative Auditor by December 31st of each year.

Condition Found

The Town's audit report for the fiscal year ending June 30, 2021 was not completed within the six month deadline as required by Louisiana Revised Statute 24:513A (a)(5)(i).

Recommendations to Prevent Future Occurrences

The Town should have its financial records available for audit by July 31 of each year and engage with a CPA firm prior to fiscal year-end.

Town of Newellton did submit all information to our previous auditors for each calendar year. Most of the files were pulled when auditors came to Town Hall and other files were delivered by Newellton's Clerk to the Monroe office. Some of the files were misplaced on their end so our Clerk reissued more files to them. Meanwhile COVID-19 pandemic and other disasters came around which further caused delays in audits being prepared on time.

Current Status

Unresolved. See Finding 2022-003.

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the **Governing Board of The Town of Newellton, Louisiana** and the Louisiana Legislative Auditor:

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

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1) Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:

a. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

We performed the above procedures and noted no exceptions.

b. ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.

We performed the above procedures and noted no exceptions.

c. ***Disbursements***, including processing, reviewing, and approving.

We performed the above procedures and noted no exceptions.

- d. ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation.)

We performed the above procedures and noted no exceptions.

- e. ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.

We performed the above procedures and noted no exceptions.

- f. ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

We performed the procedures above and noted no exceptions.

- g. ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage. (e.g., determining the reasonableness of fuel card purchases).

We performed the above procedures and noted no exceptions.

- h. ***Travel and Expense Reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

We performed the above procedures and noted no exceptions.

- i. ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111- 1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations and, (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

We performed the above procedures and noted no exceptions.

- j. ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

We performed the above procedures and noted no exceptions.

- k. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available systems and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

We performed the above procedure and noted no exceptions.

- l. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

We performed the above procedures and noted no exceptions.

Board or Finance Committee

- 2) Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

We performed the procedure above and noted no exceptions.

- b. For those entities reporting on the governmental accounting model, observe whether the minutes reference or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

We performed the procedure above and noted no exceptions.

- c. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

We performed the above procedures and noted no exceptions.

- d. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

We performed the above procedures and noted no exceptions.

Bank Reconciliations

- 3) Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

We performed the above procedures and noted no exceptions.

- b. Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged);

We performed the above procedures and noted the following exceptions:

The bank reconciliations did not have evidence of who reviewed each reconciliation.

Response: Management will implement the procedure above and make sure that each Bank Reconciliation is signed appropriately.

- c. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

We performed the procedures above and noted no exceptions.

Collections

- 4) Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- 5) For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are

segregated at each collection location such that:

- a. Employees that are responsible for cash collections do not share cash drawers/registers.

We performed the above procedures and noted no exceptions.

- b. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.

We performed the above procedures and noted no exceptions.

- c. Each employee responsible for collecting cash is not responsible for posting collection entries to general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposits.

We performed the above procedures and noted no exceptions.

- d. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee/official verifies the reconciliation.

We performed the above procedures and noted no exceptions.

- 6) Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.
- 7) Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
- e. Observe that receipts are sequentially pre-numbered.

We performed the procedure above and noted no the following exceptions:

The Town does not have a policy for theft of cash.

Response: Management will enter a policy that covers theft.

- f. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

We performed the procedure above and noted no exceptions.

- g. Trace the deposit slip total to the actual deposit per the bank statement.

We performed the procedure above and noted no exceptions.

- h. Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

We performed the procedure above and noted no exceptions.

- i. Trace the actual deposit per the bank statement to the general ledger.

We performed the procedure above and noted no exceptions.

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

-
- 8) Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than
 - 9) For each location selected under #8 above, obtain a listing of those employees involved with non- payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - j. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

We performed the procedure above and noted no exceptions.

- k. At least two employees are involved in processing and approving payments to vendors

We performed the procedure above and noted no exceptions.

- l. The employee responsible for processing payments is prohibited from adding/ modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

We performed the procedure above and noted no exceptions.

- m. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

We performed the procedure above and noted no exceptions.

- n. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

We performed the procedure above and noted no exceptions.

- 10) For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- o. Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.

We performed the procedure above and noted no exceptions.

- p. Observe whether the disbursement documentation included evidence (e.g., initial/ date, electronic logging) of segregation of duties tested under #9, as applicable.

We performed the procedure above and noted no exceptions.

- q. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does not include electronic disbursements.

We performed the procedure above and noted no exceptions.

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

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- 11) Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P- cards (card) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

- 12) Using the listing prepared by management randomly select 5 cards (or all cards if less than 5 that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
- r. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases exception reports for excessive fuel card usage) was reviewed and approved, in writing by someone other than the authorized card holder. (Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.

We performed the procedure above and noted no exceptions.

- s. Observe that finance charges and late fees were not assessed on the selected statements.

We performed the procedure above and noted no exceptions.

- 13) Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

We performed the procedure above and noted no exceptions.

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

- 14) Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- t. If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration.

We performed the above procedures and noted no exceptions.

- u. If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identified precisely what was purchased.

We performed the above procedures and noted no exceptions.

- v. Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the name of those individuals participating and other documentation required by written policy (procedure #1h).

We performed the above procedures and noted no exceptions.

- w. Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

We performed the procedures above and noted no exceptions.

Contracts

15) Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- x. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

We performed the procedures above and noted no exceptions.

- y. Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

We performed the procedure above and noted no exceptions.

- z. If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).

We performed the procedure above and noted no exceptions.

- aa. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

We performed the procedure above and noted no exceptions.

Payroll and Personnel

16) Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

17) Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

bb. Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

We performed the procedure above and noted no exceptions.

cc. Observe whether supervisors approved the attendance and leave of the selected employees/officials.

We performed the procedure above and noted no exceptions.

dd. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

We performed the procedure above and noted no exceptions.

ee. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.

We performed the procedure above and noted no exceptions.

18) Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

We performed the procedure above and noted no exceptions.

19) Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

We performed the procedures above and no exceptions.

Ethics

- 20) Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above obtain ethics documentation from management, and:
- ff. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period by R.S. 42:1170;and

We performed the procedure above and noted no exceptions.

- gg. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity’s ethics policy during the fiscal period, as applicable.

We performed the procedure above and noted no exceptions.

- hh. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

We performed the procedure above and noted no exceptions.

Debt Service

- 21) Obtain a listing of bonds/notes issued during the fiscal period and management’s representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

We performed the procedure above and noted no exceptions.

- 22) Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management’s representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short- lived asset funds, or other funds required by the debt covenants).

We performed the procedure above and noted no exceptions.

Fraud Notice

- 23) Obtain a listing of misappropriations of public funds and assets during the fiscal period and management’s representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the

entity is domiciled as required by R.S. 24:523.

Per discussion with management, no misappropriation of public funds and assets was noted during the fiscal period.

24) Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

We performed the procedure above and noted no exceptions.

Information Technology Disaster Recovery/Business Continuity

25) Perform the following procedures, verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”

- ii. Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

We performed the procedures above and discussed the results with management.

- jj. Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

We performed the above procedures and discussed the results with management.

- kk. Obtain a listing of the entity’s computers currently in use and their related locations, and management’s representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

26) Randomly select 5 terminated employees (or all terminated employees of less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

We performed the procedure above and discussed the results with management.

Sexual Harassment

- 27) Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

We performed the procedures above and noted the following exceptions:

The employees did not complete Sexual Harassment training.

Response: Management will require each employee to attend Sexual Harassment Training yearly and keep records on file.

- 28) Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity’s premises if the entity does not have a website).

We performed the above procedures and noted no exceptions.

- 29) Obtain the entity’s annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:

- a. Number and percentage of public servants in the agency who have completed the training requirements;

0%

- b. Number of sexual harassment complaints received by the agency;

No complaints were received.

- c. Number of complaints which resulted in a finding that sexual harassment occurred;

No complaints were received.

- d. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

No complaints were received.

- e. Amount of time it took to resolve each complaint.

No complaints were received.

We were engaged by Town of Newellton to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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

Bruno & Tervalon LLP

Lake Charles, LA
July 1, 2024