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TOWN OF NEW LLANO
ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 1998
With Comparative Totals for June 30, 1997

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

Release Date 11/3/98

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1
General Purpose Financial Statements	
Combined Balance Sheet - All Fund Types and Account Groups.....	2
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types.....	3
Statement of Revenues, Expenditures, and Changes in Fund Balances Budget (GAAP Basis) and Actual - General Fund	4
Statement of Revenues, Expenses, and Changes in Retained Earnings - Proprietary Fund Type.....	5
Statement of Cash Flows Proprietary Fund Type.....	6
Notes to Financial Statements	7-18
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.....	19-20
Schedule of Findings and Questioned Cost.....	21-22
Schedule of Prior Year Findings and Questioned Cost.....	23
Management's Corrective Action Plan.....	24-25

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October 26, 1998

Independent Auditors' Report

The Honorable Freddie Boswell, Mayor
and Members of the Board of Aldermen
Town of New Llano, Louisiana

We are engaged to audit the accompanying general purpose financial statements of Town of New Llano as of June 30, 1998 and for the year then ended. These financial statements are the responsibility of the Town's management.

We were unable to obtain written representations from management of the Town as required by generally accepted auditing standards. Furthermore, we were unable to obtain a discussion or evaluation of any pending or threatened litigation from the Town's outside legal counsel.

Because management did not provide us with written representations, and because we were unable to obtain a discussion or evaluation of any pending or threatened litigation from Town's outside legal counsel, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 1998, on our consideration of the Town of New Llano, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.


ROZIER, HARRINGTON & McKAY
Certified Public Accountants

-Members-
American Institute of Certified Public Accountants · Society of Louisiana, CPAs

TOWN OF NEW LLANO, LOUISIANA
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 June 30, 1998
 With Comparative Totals for June 30, 1997

	Governmental Funds		Proprietary Funds		Account Groups		Memorandum Totals	
	General	Capital Projects	Enterprise	General	Fixed Assets	1998	1997	
Assets								
Cash and cash equivalents	\$ 222,205	\$ 9,965	\$ 45,672	\$ -	\$ -	\$ 277,842	\$ 465,427	
Receivables (net of allowance for doubtful accounts)	19,956	3,400	45,648	-	-	69,004	76,390	
Due from other funds	100	-	43	-	-	143	143	
Due from other governments	64,872	-	-	-	-	64,872	24,799	
Restricted cash and cash equivalents	-	-	115,428	-	-	115,428	47,197	
Property and equipment (net of accumulated depreciation)	-	-	1,971,889	1,153,636	-	3,125,525	2,657,969	
Total assets	\$ 307,133	\$ 13,365	\$ 2,178,680	\$ 1,153,636	\$ -	\$ 3,652,814	\$ 3,271,925	
Liabilities and fund equity								
Liabilities:								
Accounts payable	\$ 17,270	\$ 3,400	\$ 118,965	\$ -	\$ -	\$ 139,635	\$ 34,781	
Accrued liabilities	11,465	-	10,755	-	-	22,220	14,874	
Payable from restricted assets:								
Customer deposits	-	-	49,296	-	-	49,296	41,699	
Revenue bonds payable	-	-	840,920	-	-	840,920	770,472	
Due to other funds	-	143	-	-	-	143	143	
Total liabilities	28,735	3,543	1,019,936	-	-	1,052,214	861,969	
Fund equity:								
Investment in general fixed assets	-	-	-	1,153,636	-	1,153,636	1,028,523	
Contributed capital	-	-	852,869	-	-	852,869	780,046	
Retained earnings:								
Unreserved	-	-	305,875	-	-	305,875	386,225	
Fund balance:								
Unreserved	278,398	9,822	-	-	-	288,220	215,162	
Total fund equity	278,398	9,822	1,158,744	1,153,636	-	2,600,600	2,409,956	
Total liabilities and fund equity	\$ 307,133	\$ 13,365	\$ 2,178,680	\$ 1,153,636	\$ -	\$ 3,652,814	\$ 3,271,925	

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

TOWN OF NEW LLANO, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
All Governmental Fund Types
For the year ended June 30, 1998
With Comparative Totals for the Year Ended June 30, 1997

	General	Capital Projects	Memorandum Totals	
			1998	1997
Revenues:				
Taxes:				
Ad valorem	\$ 20,356	\$ -	\$ 20,356	\$ 19,121
Sales tax	87,297	-	87,297	73,659
Licenses and permits:				
Occupational licenses	42,511	-	42,511	65,804
Franchise	63,432	-	63,432	61,785
Intergovernmental:				
Tobacco tax	13,511	-	13,511	13,511
Beer tax	2,871	-	2,871	2,941
Video poker	311,227	-	311,227	99,211
Grant revenues	22,100	59,608	81,708	-
Miscellaneous:				
Fines	39,919	-	39,919	60,828
Interest	2,391	-	2,391	3,114
Other	560	-	560	7,725
Total revenues	<u>606,175</u>	<u>59,608</u>	<u>665,783</u>	<u>407,699</u>
Expenditures:				
General government	140,114	-	140,114	97,760
Public safety	302,393	-	302,393	245,006
Streets and Drainage	78,848	-	78,848	45,638
Capital Outlays	125,113	72,823	197,936	25,154
Total expenditures	<u>646,468</u>	<u>72,823</u>	<u>719,291</u>	<u>413,558</u>
Excess (deficiency) of revenues over expenditures	<u>(40,293)</u>	<u>(13,215)</u>	<u>(53,508)</u>	<u>(5,859)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	192,091	23,044	215,135	82,633
Operating transfers out	(88,569)	-	(88,569)	(20,403)
Total other financing sources (uses)	<u>103,522</u>	<u>23,044</u>	<u>126,566</u>	<u>62,230</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>63,229</u>	<u>9,829</u>	<u>73,058</u>	<u>56,371</u>
Fund balance - beginning	<u>215,169</u>	<u>(7)</u>	<u>215,162</u>	<u>158,791</u>
Fund balance - end of year	<u>\$ 278,398</u>	<u>\$ 9,822</u>	<u>\$ 288,220</u>	<u>\$ 215,162</u>

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

TOWN OF NEW LLANO, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
General Fund
For the year ended June 30, 1998

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Taxes	\$ 99,000	\$ 107,653	\$ 8,653
License and permits	123,000	105,943	(17,057)
Intergovernmental	281,000	349,709	68,709
Miscellaneous	52,500	42,870	(9,630)
Total revenues	555,500	606,175	50,675
Expenditures:			
General and administrative	115,800	140,114	(24,314)
Public safety	317,500	302,393	15,107
Streets and drainage	62,200	78,848	(16,648)
Capital Outlays	125,000	125,113	(113)
Total expenditures	620,500	646,468	(25,968)
Excess (deficiency) of revenues over expenditures	(65,000)	(40,293)	24,707
OTHER FINANCING SOURCES (USES):			
Operating transfers in	70,000	192,091	122,091
Operating transfers out	-	(88,569)	(88,569)
Total other financing sources (uses)	70,000	103,522	33,522
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	5,000	63,229	58,229
Fund balance - beginning of year	138,388	215,169	-
Fund balance - end of year	\$ 143,388	\$ 278,398	\$ 58,229

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

TOWN OF NEW LLANO, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
Proprietary Fund Type
For the year ended June 30, 1998
With Comparative Totals for the Year Ended June 30, 1997

	Enterprise Funds	
	1998	1997
<u>Operating revenues:</u>		
Water charges	\$ 198,711	\$ 220,017
Sewer charges	127,922	94,935
Service charges	9,826	16,303
Miscellaneous	2,621	922
	339,080	332,177
<u>Operating expenses:</u>		
Water purchases	75,577	81,148
Salaries and wages	87,569	46,897
Materials, supplies, and maintenance	10,778	23,767
Office and postage	2,764	5,823
Payroll taxes	7,803	3,573
Vehicle and travel	-	1,920
Insurance	17,292	10,664
Bad debts	14,097	-
Professional fees	4,186	6,472
Miscellaneous	3,084	6,217
Utilities and telephone	19,803	17,509
Technical training	689	470
Depreciation	42,395	28,647
Uniform and equipment rental	-	1,124
	286,037	234,231
Operating income	53,043	97,946
<u>Non-operating revenues (expenses):</u>		
Interest income	1,189	4,102
Interest expense	(8,016)	-
	(6,827)	4,102
Income (loss) before operating transfers	46,216	102,048
<u>Operating transfers in (out):</u>		
Transfers in	75,419	-
Transfers out	(201,985)	(62,230)
	(126,566)	(62,230)
Net income (loss)	(80,350)	39,818
Retained earnings - beginning	386,225	346,407
Retained earnings - end of year	\$ 305,875	\$ 386,225

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

TOWN OF NEW LLANO, LOUISIANA
STATEMENT OF CASH FLOWS
Proprietary Fund Type
For the year ended June 30, 1998
With Comparative Totals for the Year Ended June 30, 1997

	<i>Enterprise Funds</i>	
	1998	1997
<u>Cash flow from operating activities:</u>		
Operating income (loss)	\$ 53,043	\$ 97,946
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	42,395	28,647
(Increase) decrease in accounts receivable	12,732	(9,933)
(Increase) decrease in due from other funds	-	-
(Decrease) increase in due to other funds	-	-
(Decrease) increase in operating accounts payable	(578)	16,017
(Decrease) increase in accrued liabilities	2,738	5,227
(Decrease) increase in restricted liabilities	7,597	4,997
Net cash provided (used) by operating activities	117,927	142,901
<u>Cash flows from non-capital financing activities:</u>		
Operating transfers in (out)	(126,566)	(62,230)
Net cash provided (used) by non-capital financing activities	(126,566)	(62,230)
<u>Cash flows from capital and related financing activities:</u>		
Revenue bond proceeds	110,448	770,472
Revenue bond interest payments	(8,016)	-
Revenue bond principal payments	(40,000)	-
Acquisition and construction of capital assets	(219,408)	(784,870)
Net cash provided (used) by capital and related financing activities	(156,976)	(14,398)
<u>Cash flows from investing activities:</u>		
Interest and other income	1,189	4,102
Net cash provided (used) by investing activities	1,189	4,102
Net increase (decrease) in cash	(164,426)	70,375
Beginning cash balance	325,526	255,151
Ending cash balance	\$ 161,100	\$ 325,526

Supplemental disclosures of cash flow information:

For the years ended June 30, 1998 and 1997 there were no investing, capital, and financing activities that did not result in cash receipts or payments.

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

TOWN OF NEW LLANO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
June 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

The Town of New Llano (the Town) was incorporated under the provisions of the Lawrason Act and operates under a Mayor-Board of Aldermen form of government. The Town provides various services including public safety (police protection), streets and drainage, sanitation, public improvements, utility, water, sewerage and general administrative services.

The accounting and reporting practices of the Town of New Llano, Louisiana, conform to generally accepted accounting principles as applicable to governmental units on a consistent basis between periods.

The following is a summary of the more significant accounting policies.

Financial Reporting Entity

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

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Town of New Llano, Louisiana, for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

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

Based upon the above criteria, the Town of New Llano has no component units for the year ended June 30, 1998.

TOWN OF NEW LLANO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
June 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

The accounts of the Town are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following fund types and account groups are used by the Town:

GOVERNMENTAL FUNDS

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

Capital Project Fund - Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds and trust funds.

PROPRIETARY FUND

Enterprise Fund - The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The enterprise funds of the Town account for operations of a combined water and sewer system.

ACCOUNT GROUPS

General Fixed Assets Account Group - This group of accounts is used to account for fixed assets of the Town other than those accounted for in the Proprietary Funds.

Basis of Accounting

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

All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of the Town and are recognized as revenue at that time.

TOWN OF NEW LLANO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
June 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on long-term debt, which is recognized when due.

In both governmental and proprietary funds, inventories of supplies are considered immaterial and are not recorded.

The proprietary (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. Utility revenues are billed on a cycle basis and are recognized in the month billed. Unbilled service receivables resulting from utility services rendered between cycle billing and the end of the month have been recognized in the accompanying financial statements.

The basis of accounting followed by proprietary funds is similar to accounting practices utilized by business enterprises. Due to these similarities, proprietary funds are allowed to follow certain pronouncement that are developed by the Financial Accounting Standards Board (FASB) for business enterprises. However, the Town only applies those FASB pronouncements that were issued on or before November 30, 1989.

Budgets and Budgetary Practices

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

1. The Town Clerk prepares a proposed budget for the general fund for the upcoming year and submits it to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of the ensuing year. This budget includes proposed expenditures and the means of financing them.
2. A summary of the proposed budget is published, and the public is notified that the proposed budget is available for public inspection. At the same time, the date of a public hearing is published.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After holding the public hearing and prior to the commencement of the new year, the budget is legally enacted through passage of an ordinance.
5. All budgetary appropriations lapse at the end of each fiscal year.
6. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as

TOWN OF NEW LLANO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
June 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

amended from time to time by the Mayor and Board of Aldermen. Such amendments were not material in relation to the original appropriations.

Cash and Cash Equivalents and Investments

Cash includes amounts in demand deposits and interest-bearing demand deposits. Cash equivalents include amounts in time deposits. Under state law, the Town may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the Town may invest in U.S. bonds, treasury notes or certificates. These are classified as investments if their original maturities exceed 90 days; however, if original maturities are 90 days or less, they are classified as cash equivalents. The Town had no investments at June 30, 1998.

Due To/From Other Funds

Amounts in each fund listed as due to/from are offset by corresponding entries in other funds. Funds shown as such are considered available for expenditure unless specifically restricted within the statements. Interfund receivables and payables are not eliminated in the preparation of combined financial statements.

Fixed Assets and Long-Term Liabilities

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, and they are recorded as expenditures in the governmental fund types when purchased. The Town has elected to capitalize public domain ("infrastructure") fixed assets consisting of certain improvements including roads, bridges, sidewalks and drainage improvements. No depreciation has been provided on general fixed assets. Fixed assets are valued at historical cost including interest, unless they were donated in which case they are valued at fair market value at the date of donation. At June 30, 1998, there were no material amounts of donated assets.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group. As of and for the year ended June 30, 1998, there was no activity in the General Long-Term Debt Group.

These two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

Fixed assets used in the proprietary fund type operations are included on the balance sheet of the fund at historical cost including interest. For the year ended June 30, 1998, total interest costs capitalized amounted to \$10,070. Depreciation of all exhaustible fixed assets used by proprietary fund is charged as an expense against their operations. Accumulated depreciation is reported on the proprietary fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

TOWN OF NEW LLANO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
June 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Water Utility	
Water Lines and System	50 years
Fire Hydrants	10 years
Meters	10 years
Equipment	5-7 years
Sewer Utility	
Lines and System	50 years
Trucks	5 years
Equipment	5-20 years

Contributed Capital

In the Enterprise Funds, amounts contributed to the Town for acquisition or construction of fixed assets are recorded as contributed capital. Depreciation of these contributed capital assets is computed using the straight-line method over the estimated useful lives of the assets and is charged as a current period expense.

Reserves

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

Statement of Cash Flows

The Town has adopted Government Auditing Standards Board Statement No. 9 "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." This statement requires entities to report a statement of cash flows as part of a full set of financial statements instead of reporting a statement of changes in financial position. For the purposes of reporting cash flows, cash and cash equivalents includes all cash on hand, cash in bank and certificates of deposit.

For the year ended June 30, 1998, there were no material non-cash investing activities or non-capital and related financing activities.

Compensated Absences

The Town does not accumulate any paid vacation, sick pay, and other employee benefit amounts because employees are not allowed to carry over significant amounts.

TOWN OF NEW LLANO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
June 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Total Columns on Combined Statements - Overview

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

Bad Debts

Uncollectible amounts due for ad valorem taxes and customers' utility receivables are recognized as bad debts through the establishment of an allowance account based on historical information which would indicate the uncollectibility as a percentage of the particular receivable.

Use of Estimates

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly actual results could differ from those estimates.

Encumbrance Accounting

Purchase orders, contracts, and other commitments to engage in future expenditures are referred to as encumbrances. Since encumbrances do not represent liabilities or current expenditures, encumbrances are not reported in the accompanying financial statements.

TOWN OF NEW LLANO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
 June 30, 1998

NOTE 2 - CASH AND CASH EQUIVALENTS

At June 30, 1998 cash and cash equivalents totaled \$393,270 (Book Balance) and \$395,112 (Bank Balance). The composition of these accounts is as follows:

	<u>Book Balance</u>	<u>Bank Balance</u>
Demand Deposits -		
Non-Interest Bearing	\$ 385,599	\$ 387,503
Interest Bearing Checking and Certificates of Deposit	7,571	7,609
Petty Cash	<u>100</u>	<u>-0-</u>
Total Cash	<u>\$ 393,270</u>	<u>\$ 395,112</u>

Under state law, these deposits must be secured by Federal Deposit Insurance or the pledge of securities owned by the bank. The securities pledged are held in the name of the pledging bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 1998 all deposits with financial institutions were fully covered by federal deposit insurance and pledged securities. A detailed analysis of this coverage is as follows:

Total Cash at June 30, 1998 (Bank Balance)	\$ 395,112
Less FDIC Coverage	<u>(107,609)</u>
Subtotal	287,503
Less Securities Pledged to Town But held in the Name of the Financial Institution (Uncollateralized - GASB Category 3)	<u>766,663</u>
Excess of FDIC Insurance and Pledged Securities	<u>\$ 479,160</u>

Even though the pledged securities are considered Uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana law 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 pledging bank has failed to pay deposited funds upon demand.

NOTE 3 - AD VALOREM

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

For the year ended June 30, 1998, taxes of 4.0 mills were levied on property and were dedicated to general corporate purposes. There were no material amounts of taxes receivable at June 30, 1998.

TOWN OF NEW LLANO, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 1998

NOTE 4 - RECEIVABLES

The receivables at June 30, 1998, are as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Enterprise Fund</u>	<u>Memorandum Total</u>
Charges for Services	\$	\$	\$ 48,305	\$ 48,305
Other	84,828	3,400		88,228
Allowance for Uncollectibles			(2,657)	(2,657)
Totals	<u>84,828</u>	<u>3,400</u>	<u>45,648</u>	<u>133,876</u>
Due from Other Governments	<u>64,872</u>	<u>-</u>	<u>-</u>	<u>64,872</u>
Receivables Net	<u>\$ 19,956</u>	<u>\$ 3,400</u>	<u>\$ 45,648</u>	<u>\$ 69,004</u>

NOTE 5 - GENERAL FIXED ASSETS

A summary of changes in general fixed assets, at cost, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Buildings and Land Improvements Other Than Buildings	\$ 107,155	\$ 5,384	\$	\$ 112,539
Equipment	<u>560,722</u>	<u>97,429</u>		<u>658,151</u>
	<u>360,646</u>	<u>22,300</u>		<u>382,946</u>
	<u>\$1,028,523</u>	<u>\$ 125,113</u>	<u>\$</u>	<u>\$1,153,636</u>

NOTE 6 - PROPERTY AND EQUIPMENT

A summary of the property and equipment in the Enterprise Fund at June 30, 1998, consists of the following:

Land	\$ 28,835
Building	4,408
Distribution System	1,878,939
Equipment	54,408
Vehicles	33,161
Construction in Progress	<u>197,344</u>
	2,197,095
Less Accumulated Depreciation	<u>(225,206)</u>
Net Property and Equipment	<u>\$1,971,889</u>

TOWN OF NEW LLANO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
 June 30, 1998

NOTE 7 - WATER CONTRACT

The Town has a contract with the City of Leesville for the purchase of water. The contract has a primary term of seven (7) years commencing April 1, 1994. There are no minimum payments required under the contract except for amounts of actual delivery, with the rates set at ninety cents (\$.90) per one thousand (1,000) gallons for the entire contract period.

NOTE 8 - RISK MANAGEMENT

Town of New Llano is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks of loss are covered by a comprehensive commercial insurance policy and participation in a public entity risk pool that operates as a common insurance program. Claims resulting from these risks have historically not exceeded insurance coverage.

NOTE 9- BOARD MEMBER SALARIES

For the year ended June 30, 1998, the amounts of salaries and wages paid to the Mayor and Board of Aldermen were as follows:

<u>Name</u>	<u>Position</u>	<u>Salary</u>
Vic Smith	Mayor	\$ 9,425
Carolyn Todd	Alderman	2,600
Bruce Cryer	Alderman	2,600
Jimmy Stewart	Alderman	2,600
Ernest Phaneuf	Alderman	2,600
Ronald Mammano	Alderman	2,200
Totals		<u>\$ 22,025</u>

NOTE 10- CONTRIBUTED CAPITAL

Changes in contributed capital account for the year ended June 30, 1998, are as follows:

	<u>Enterprise Fund</u>
Balance at June 30, 1997	\$780,046
Additions	<u>72,823</u>
Balance at June 30, 1998	<u>\$852,869</u>

TOWN OF NEW LLANO, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 1998

NOTE 11- LONG TERM DEBT

Notes payable in the Enterprise Fund represents money borrowed from the Louisiana Department of Environmental Quality for Phase II of the Sewer Treatment Facility. Funds are drawn for the project as needed and are not to exceed \$1,000,000 in total. At June 30, 1998, the project was complete and the principal balance totaled \$840,920. The notes bear an interest rate of 2.45% per annum with interest payments due semi-annually and commencing September 1, 1996. Principal payments are due annually with payments commencing March 1, 1998 and ending March 1, 2017. A summary by years of the principal payments owed on their note are as follows:

Fiscal Year <u>Ended</u>	Principal <u>Installment</u>
1999	33,920
2000	35,000
2001	36,000
2002	37,000
2003	38,000
Thereafter	<u>661,000</u>
Total	<u>840,920</u>

NOTE 12- PENSION PLAN

Substantially all employees of the Town of New Llano, Louisiana, are members of the Municipal Employees Retirement Systems of Louisiana. This system is a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. Pertinent information relative to the plan follows:

Plan Description. 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 B.

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. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service at or after age 55 with at least 30 years of creditable service are entitled to a retirement,

TOWN OF NEW LLANO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
June 30, 1998

NOTE 12 – PENSION PLAN (CONTINUED)

benefit, payable monthly for life, equal to 2 percent of their final-average monthly salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3 percent for each year retirement recedes age 62, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits are paid under Plan B cannot exceed 100 percent of final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That 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 (504) 925-4810.

Funding Policy. Under Plan B, members are required by state statute to contribute 5.0 percent of their annual covered salary and the Town of New Llano is required to contribute at an actuarially determined rate. The current rate is 2.75 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town of New Llano are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of New Llano contributions to the System under Plan B for the year ended June 30, 1998, were \$8,037, equal to the required contributions for each year.

TOWN OF NEW LLANO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998

NOTE 13 - CAPITAL PROJECTS

During the prior year, the Town was awarded a Louisiana Community Development Block Grant to improve the sewer system. Construction on the project began during the current fiscal year and at June 30, 1998, activity on the project has been summarized as follows:

	<u>TOTAL</u>
Administration	\$ 13,215
Engineering	56,208
Land (Servitudes)	<u>3,400</u>
Total Expenditures	72,823
Local Match	<u>13,215</u>
Federal Funds	<u>\$ 59,608</u>

ROZIER, HARRINGTON & McKAY
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October 26, 1998

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

The Honorable Freddie Boswell, Mayor
and Members of the Board of Aldermen
New Llano, Louisiana

We were engaged to audit the financial statements of the Town of New Llano, Louisiana as of and for the year ended June 30, 1998, and have issued a disclaimer of opinion thereon dated October 26, 1998 because we were unable to obtain certain written representations from management required by *Government Auditing Standards*, and we were unable to obtain any discussion or evaluation of pending or threatened litigation.

Compliance

As part of obtaining reasonable assurance about whether the Town of New Llano, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Town of New Llano, Louisiana, in a separate letter dated October 26, 1998.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of New Llano, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town of New Llano, Louisiana's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned Costs as items 98-1, 98-2 and 98-3.

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

-Members-

American Institute of Certified Public Accountants · Society of Louisiana, CPAs

The Honorable Freddie Boswell, Mayor
and the Board of Aldermen
October 26, 1998
Page 2

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 98-1 to be a material weakness.

This report is intended for the information of management. However, this report is a matter of public record and its distribution is not limited.



ROZIER, HARRINGTON & MCKAY
Certified Public Accountants



Town of New Llano
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 1998

We were engaged to audit the financial statements of the Town of New Llano as of and for the year ended June 30, 1998, and have issued our report thereon dated October 26, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report expresses a disclaimer of opinion on the Town's financial statements for the year ending June 30, 1998.

Section I - Summary of Auditor's Results:

a. The report on internal control and compliance material to the financial statements reported the following items:

- Internal Control – Reportable conditions that are considered to be material weaknesses.
- Compliance – Non compliance that is material to the financial statements.

b. Federal Awards:

- N/A, Federal Awards received during the year ended June 30, 1998 were not sufficient in amount to require a single audit.

c. Identification of Major Programs:

- N/A

Section II - Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards:

98-1, OVERTIME COMPENSATION:

The Town has no mechanism for approving overtime, documenting the purpose for which overtime is needed, or monitoring the amount of overtime actually worked. The following events that occurred during the year ended June 30, 1998 suggest a need for policies and procedures that address overtime compensation:

- Each of the Town's maintenance employees was compensated at one and one-half times their ordinary rate of pay for approximately 1,000 hours in unsupervised overtime.
- Payroll expense reported by the Town's utility fund has increased dramatically as a result of overtime compensation; however, the remaining expenses reported by the fund do not indicate that additional maintenance work has been performed.

We recommend establishing a personnel committee to address this issue. The committee should be responsible for performing the following tasks:

Town of New Llano
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 1998

- Developing a policy for approving, documenting and monitoring overtime.
- Reviewing monthly payroll journals to ensure that compensation conforms to the approved policies.
- Establish policies for compensating employees that are on-call for emergencies that may occur after hours or on weekends.

98-2, COMPENSATION RATES:

Employee pay rates have been determined in an arbitrary manner and the approval of most existing pay rates has not been documented. In order to ensure that employees are compensated fairly, the Town should adopt a systematic approach to adopting pay rates and increases in those rates. We recommend having the mayor, board of aldermen, or a committee of elected officials periodically review pay rates and approve any changes. Furthermore, approval should be documented in a written fashion and signed by the parties responsible for approval.

98-3, FIXED ASSET INVENTORY:

In order to maintain control of fixed assets and to serve as documentation for insurance purposes, we recommend that an inventory of fixed assets be completed by each department.

Section III - Findings and Questioned Costs for Federal Awards Which Shall Include Audit Findings as Defined by OMB Circular A-133:

- None

TOWN OF NEW LLANO, LOUISIANA
SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 1998

SECTION I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
97-1 Louisiana statute requires that the budget be submitted for public inspection fifteen (15) days prior to year end and approved prior to the beginning of the ensuing fiscal year. For the year ended June 30, 1996, the above budgetary process was not completed until July 23, 1996.	Resolved - The Town has reviewed the laws regarding budgets and for the years ended June 30, 1997 and 1998 was in compliance with all budgetary requirements.
97-2 In order to maintain control of fixed assets and to serve as documentation for insurance purposes, we recommend that an inventory of fixed assets be completed by each department.	Unresolved (See 98-3) - The Town realizes the importance of performing an inventory of fixed assets; however, the manpower was not available during the current year (June 30, 1998) to conduct an inventory.
97-3 The current billing program does not produce aged accounts receivable reports, transaction histories or records of adjustments to individual accounts. Rozier, Harrington & McKay did note that the Town has purchased a new utility billing system, which we believe will adequately address the above concerns. However, as of the date of this report, the new system has not be installed.	Resolved - The Town began billing off the new system effective July 1, 1998.
SECTION II - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
Finding - N/A - The Town received no federal funding during the year ended June 30, 1997.	Response - N/A
SECTION III - MANAGEMENT LETTER	
Finding - There was no management letter issued with the report.	Response - N/A

**TOWN OF NEW LLANO, LOUISIANA
MANAGEMENT'S CORRECTIVE ACTION PLAN
For the Year Ended June 30, 1998**

SECTION I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
98-1 Overtime Compensation - The Town was no mechanism for approving overtime, documenting the purpose for which overtime is needed or monitoring the amount of overtime actually worked.	Response - The Town is currently developing a policy for approving, documenting and monitoring overtime. In addition, monthly payroll journals will be reviewed to ensure that compensation conforms to policy.
98-2 Compensation Rates - Employee pay rates have been determined in an arbitrary manner and the approval of most existing pay rates has not been documented.	Response - In the future, the mayor and the board of aldermen will periodically review pay rates and approve any changes. Furthermore, approval will be documented and maintained in each employees' file.
98-3 (1997 Comment) Fixed Asset Inventory - In order to maintain control of fixed assets and to serve as documentation for insurance purposes, we recommend that an inventory of fixed assets be completed by each department.	Response - The Town realizes the importance of performing an inventory of fixed assets and will ensure that inventories are performed annually in the future.
SECTION II - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
Finding - N/A - Federal awards received during the year ended June 30, 1998, were not sufficient in amount to require a single audit.	Response - N/A
SECTION III - MANAGEMENT LETTER	
98-4 Christmas Bonuses - The Town awarded bonuses in the amount of \$100 per employee. Such practice is prohibited by LSA-RS 14:138.	Response - The Town will discontinue such practices in the future.
98-5 Retirement Withholding - Improper configuration of payroll system resulted in underwithholding of employees' portion of retirement contributions.	Response - The Town has reconfigured the system and is now withholding the proper amounts.

**TOWN OF NEW LLANO, LOUISIANA
MANAGEMENT'S CORRECTIVE ACTION PLAN
For the Year Ended June 30, 1998**

<p>98-8 Sales Tax Collections - Effective July 1, 1997, sales tax on utilities dropped from four percent to three percent. We noted that the Town was collecting sales tax from customers at a rate of three percent, but was still remitting sales taxes at a rate of four percent.</p>	<p>Response - The Town has filed the necessary amended returns and will monitor future filings to ensure that the proper amounts are remitted.</p>
<p>98-9 Hiring Practices - It has come to our attention that certain new employees were allowed to begin work prior to being officially approved by the Mayor.</p>	<p>Response - Policies will be implemented in the future to ensure that employment forms are completed, Mayorial approval is documented and the Town's insurance carrier's requirements are met.</p>
<p>98-10 Accounting Practices - Numerous adjustments were needed in order to properly classify transactions reported on the Town's books.</p>	<p>Response - The staff has taken steps to become familiar with the proper classification of routine transactions.</p>
<p>98-11 Investment of Idle Funds - At year end, in excess of \$300,000 was deposited in non-interest bearing accounts. In order to maximize the Town's resources, any funds that are not required to meet immediate needs should be invested in appropriate short-term investments. The Town should also request that its fiscal agent pay interest on demand deposits.</p>	<p>Response - The Town will deposit all excess funds in interest-bearing accounts in the future</p>

TOWN OF NEW LLANO, LOUISIANA
DATA COLLECTION FORM
Continuation Form

MANAGEMENT LETTER

98-4 Christmas Bonuses	Resolved
98-5 Retirement Withholding	Resolved
98-6 Sales Tax Collections	Resolved
98-7 Hiring Practices	Unresolved
98-8 Accounting Practices	Unresolved
98-9 Investment of Funds	Unresolved