

TOWN OF NEWELLTON, LOUISIANA

Annual Financial Report

For the Year Ended June 30, 2020

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, 2020, 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, 2020, 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 Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United State 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 15 to the financial statements, the Town has experienced operating deficits for several years and the unrestricted net position deficit \$564,615 in this fiscal year. Management's evaluation of the events and conditions and management's plans regarding those matters also are described in Note 15. 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.

Auditors' 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 and Schedule of Compensation Paid to the Members of the Board of Aldermen. 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 and Schedule of Compensation Paid to the Members of the Board of Aldermen 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 October 18, 2023 on our consideration of the Authority'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 Authority's internal control over financial reporting and compliance.

Bruno & Tervalon LLP

Lake Charles, Louisiana
October 18, 2023

REQUIRED SUPPLEMENTARY INFORMATION - PART I

TOWN OF NEWELLTON, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

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, 2020. 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 \$3,530,289 (net position).

Of this amount \$4,094,904 represented a restriction equal to the net amount invested in land and depreciable assets.

The remaining \$564,615 represents an unrestricted net deficit.

The Town's total net position increased by \$57,186.

- As of close of the current fiscal year, the Town of Newellton's governmental fund reported an ending fund balance of negative \$8,319, a increase of \$10,107 in comparison with the prior year. Of this total amount, deficit balance of \$5,297 is available for spending at the government's discretion (*unassigned fund balance*). However, as a deficit, this number represents an amount that must be made up before the Town has a discretionary amount to spend.

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 a sent position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Neweltoon improving or deteriorating.

TOWN OF NEWELLTON, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended June 30, 2020

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 one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund.

TOWN OF NEWELLTON, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) For the Year Ended June 30, 2020

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 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 or deteriorating. In the case of the Town of Newellton, assets and deferred outflows exceeded liabilities and deferred inflows by \$3,530,289 on June 30, 2020. The combined net position increased by \$57,186 from fiscal year 2019 to 2020.

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.

TOWN OF NEWELLTON, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended June 30, 2020

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, 2020 and 2019

	Governmental Activities		Business- Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	\$ 31,477	\$ 23,204	\$ 92,145	\$ 131,665	\$ 123,622	\$ 154,869
Capital assets, net	<u>507,077</u>	<u>581,219</u>	<u>3,587,827</u>	<u>3,266,453</u>	<u>4,094,904</u>	<u>3,847,672</u>
Total assets	<u>538,554</u>	<u>604,423</u>	<u>3,679,972</u>	<u>3,398,118</u>	<u>4,218,526</u>	<u>4,002,541</u>
Deferred outflows of resources	<u>107,784</u>	<u>67,001</u>	<u>-</u>	<u>80,599</u>	<u>107,784</u>	<u>147,600</u>
Liabilities						
Current and other liabilities	23,158	24,982	323,026	94,576	346,184	119,558
Long-term liabilities	<u>421,522</u>	<u>203,740</u>	<u>-</u>	<u>336,898</u>	<u>421,522</u>	<u>540,638</u>
Total liabilities	<u>444,680</u>	<u>228,722</u>	<u>323,026</u>	<u>431,474</u>	<u>767,706</u>	<u>660,196</u>
Deferred inflows of resources	<u>28,315</u>	<u>7,645</u>	<u>-</u>	<u>9,197</u>	<u>28,315</u>	<u>16,842</u>
Net position:						
Net investment in capital	507,077	581,219	3,587,827	3,266,453	4,094,904	3,847,672
Unrestricted	<u>(333,734)</u>	<u>(146,162)</u>	<u>(230,881)</u>	<u>(228,407)</u>	<u>(564,615)</u>	<u>(374,569)</u>
Total net position	<u>\$ 173,343</u>	<u>\$ 435,057</u>	<u>\$ 3,356,946</u>	<u>\$ 3,038,046</u>	<u>\$ 3,530,289</u>	<u>\$ 3,473,103</u>

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

Capital assets consisting of land, buildings, machinery and equipment, water system, sewer system, and gas system. Net investment in capital assets of \$4,094,904 consists of capital assets at original cost \$9,340,748, less accumulated depreciation of \$5,245,844. The Town of Newellton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

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 position of the Town's governmental activities decreased by 60% to approximately \$173,000. Net position of the Town's business-type activities increased 10% to approximately \$3,357,000.

TOWN OF NEWELLTON, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended June 30, 2020

Changes in net position

The Town's total revenue increased from the prior year by 49% to approximately \$1,294,000 (see Table 2 below) Approximately 49% of the Town's revenue comes from charges for services, and 51% comes from other general revenues and grants.

The total cost of programs and services increased from the prior year by 5% to approximately \$1,237,000 (see Table 2 below)

Table 2
Changes in Net Position
Fiscal Years Ended June 30, 2020 and 2019

	<u>Governmental Activities</u>		<u>Business- Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues						
Program revenues:						
Charges for services	\$ 145,282	\$ 95,262	\$ 492,095	\$ 520,253	\$ 637,377	\$ 615,515
Operating grants and contributions		3,435	459,771	48,880	459,771	52,315
General Revenues:						-
Property taxes	73,197	71,433	-	-	73,197	71,433
Sales taxes	62,087	62,884	-	-	62,087	62,884
Other taxes	1,552	1,652	44	-	1,596	1,652
Other general revenues	59,992	63,163	-	2,123	59,992	65,286
Transfers	113,470	179,369	(113,470)	(179,369)	-	-
Total revenues	<u>455,580</u>	<u>477,198</u>	<u>838,440</u>	<u>391,887</u>	<u>1,294,020</u>	<u>869,085</u>
Expenses						
General government	242,003	261,741	-	-	242,003	261,741
Public safety	183,788	115,508	-	-	183,788	115,508
Public works	291,503	172,502	-	-	291,503	172,502
Water, sewer, and gas expenses	-	-	519,540	626,813	519,540	626,813
Total expenses	<u>717,294</u>	<u>549,751</u>	<u>519,540</u>	<u>626,813</u>	<u>1,236,834</u>	<u>1,176,564</u>
Increase (decrease) in position	<u>(261,714)</u>	<u>(72,553)</u>	<u>318,900</u>	<u>(234,926)</u>	<u>57,186</u>	<u>(307,479)</u>
Net position – beginning	<u>435,057</u>	<u>507,610</u>	<u>3,038,046</u>	<u>3,272,972</u>	<u>3,473,103</u>	<u>3,780,582</u>
Net position – ending	<u>\$ 173,343</u>	<u>\$ 435,057</u>	<u>\$ 3,356,946</u>	<u>\$ 3,038,046</u>	<u>\$ 3,530,289</u>	<u>\$ 3,473,103</u>

Governmental Activities

Revenues and transfers for the Town's governmental activities increased 5% with the most significant changes being limited to the approximately \$50,020 increase in charges for services. Total expense increased by 5%. Expenses are classified by functions/programs. General

TOWN OF NEWELLTON, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) For the Year Ended June 30, 2020

government accounts for approximately 60%, while public safety and public work account for approximately 16% and 24% respectively, for the fiscal year 2020.

Program revenues for the fiscal year 2020 directly related to those expenses totaled approximately \$95,000, which resulted in net program expense of approximately \$451,000. 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:

Charges for services is the single largest source of revenue in total and accounts for \$145,282. For governmental activities, charges for services includes garbage pickup.

Property tax revenue of \$73,000 and sale taxes of \$62,000 are the single largest general revenue sources for the Town of Newellton.

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 increased 53% to approximately \$838,000 and expenses of the Town's business-type activities decreased 17% approximately to \$520,000.

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.

As the end of the current fiscal year, the Town of Newellton's governmental funds reported a ending fund balance of \$8,319 a increase of \$10,107 in comparison with the prior year. On this increase there is a unassigned fund deficit of \$5,297. The remainder of fund balance is a positive \$13,616 that is nonspendable to indicate that it is not available for new spending because it has already been committed.

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

TOWN OF NEWELLTON, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended June 30, 2020

General Fund Prior to June 30. The original budget for the Town was adopted on June 13, 2019. There were no budget amendments.

Original Budget Compared to Final Budget

The General Fund original budget forecasted a positive fund balance of \$27,804 at year-end. Total revenues were projected at \$284,525. Expenditures were budgeted at \$421,721. Transfers in were budgeted at \$165,000. There were no amendments to the budget during the year.

Final Budget Compared to Actual Results

General fund revenue actual amounts were more than the final budget by 20%. (\$284,525 budget versus \$342,117 actual). Transfers in of a deficit of \$51,530 resulted in a \$51,530 negative variance of final budget of \$449,525 versus actual of \$454,781 for total resources. However, there was a positive \$23,759 variance for expenditures where actual expenditures were more than budgeted by 5% (\$421,721 budget versus \$445,480 expenditures).

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, 2020, amounts to \$9,340,748 (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 \$219,575. Table 3 presents capital assets net of depreciation at June 30, 2020 and 2019.

Table 3
Capital Assets
As of June 30, 2020 and 2019

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 1,000	\$ 1,000	\$ 19,650	\$ 19,650	\$ 20,650	\$ 20,650
Buildings	539,644	539,644	-	-	539,644	539,644
Vehicles	313,752	313,752	-	-	313,752	313,752
Furniture and equipment	41,471	41,471	185,092	185,092	226,563	226,563
Signage	8,750	8,750	-	-	8,750	8,750
Water System	-	-	2,785,722	2,785,722	2,785,722	2,785,722
Sewer System	-	-	2,876,473	2,876,473	2,876,473	2,876,473
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	-
Total	1,677,435	1,677,435	7,663,313	7,203,542	9,340,748	8,880,977
Less. accumulated depreciation	(1,170,358)	(1,096,216)	(4,075,486)	(3,937,089)	(5,245,844)	(5,033,305)
Total capital assets	<u>\$ 507,077</u>	<u>\$ 581,219</u>	<u>\$ 3,587,827</u>	<u>\$ 3,266,453</u>	<u>\$ 4,094,904</u>	<u>\$ 3,847,672</u>

TOWN OF NEWELLTON, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) For the Year Ended June 30, 2020

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 \$421,522.

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 For the Year Ended June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 9,578	\$ 4,940	\$ 14,518
Investments	-	2,798	2,798
Receivables, net	7,037	78,771	85,808
Due from other governments	1,246	-	1,246
Prepaid expenses	13,616	7,717	21,333
Total Current Assets	31,477	94,226	125,703
Non-Current Assets:			
Capital assets, net	507,077	3,587,827	4,094,904
Investment in jointly owned gas operations and maintenance fund (deficit)	-	(2,081)	(2,081)
Total Non-Current Assets	507,077	3,585,746	4,092,823
Total Assets	538,554	3,679,972	4,218,526
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on pensions	107,784	-	107,784
Total deferred outflows of resources	107,784	-	107,784
LIABILITIES			
Current Liabilities:			
Accounts and accrued expenses	8,737	57,055	65,792
Payroll liabilities	14,421	-	14,421
Other liabilities	-	173,687	173,687
Deposits held	-	92,284	92,284
Total Current Liabilities	23,158	323,026	346,184
Long term liabilities			
Net pension liability	421,522	-	421,522
Total non-current liabilities	421,522	-	421,522
Total Liabilities	444,680	323,026	767,706
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on pension	28,315	-	28,315
Total deferred inflows of resources	28,315	-	28,315
NET POSITION			
Net investment in capital assets	507,077	3,587,827	4,094,904
Unrestricted (Deficit)	(333,734)	(230,881)	(564,615)
Total Net Position	\$ 173,343	\$ 3,356,946	\$ 3,530,289

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

TOWN OF NEWELLTON, LOUISIANA

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2020

Functions Programs	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION					
	EXPENSES	PROGRAM REVENUES		PRIMARY GOVERNMENT		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
Primary Government:						
Governmental Activities:						
General government	\$ 439,683	\$ -	\$ -	\$ (439,683)	\$ -	\$ (439,683)
Public safety	96,976	10,597	-	(86,379)	-	(86,379)
Public works:	<u>180,642</u>	<u>134,685</u>	<u>-</u>	<u>(45,957)</u>	<u>-</u>	<u>(45,957)</u>
Total governmental activities	717,301	145,282	-	(572,019)	-	(572,019)
Business-type Activities:						
Utility operations	518,626	492,095	459,771	-	433,240	433,240
Interest and fees on long-term debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>518,626</u>	<u>492,095</u>	<u>459,771</u>	<u>-</u>	<u>433,240</u>	<u>433,240</u>
Total primary government	<u>\$ 1,235,927</u>	<u>\$ 637,377</u>	<u>\$ 459,771</u>	<u>(572,019)</u>	<u>433,240</u>	<u>(138,779)</u>
Taxes:						
Ad valorem taxes				\$ 73,197	\$ -	\$ 73,197
Sales taxes				62,087	-	62,087
Beer tax				1,552	-	1,552
Video poker				3,819	-	3,819
Licenses, permits, franchise fees				54,769	-	54,769
Interest earnings				5	44	49
Other				1,406	-	1,406
Loss from jointly owned gas operations and maintenance fund				<u>-</u>	<u>(914)</u>	<u>(914)</u>
Total general revenues				<u>196,835</u>	<u>(870)</u>	<u>195,965</u>
Transfers in (out)				<u>113,470</u>	<u>(113,470)</u>	<u>-</u>
Change in net position				(261,714)	318,900	57,186
Net position at beginning of year				<u>435,057</u>	<u>3,038,046</u>	<u>3,473,103</u>
Net position at end of year				<u>\$ 173,343</u>	<u>\$ 3,356,946</u>	<u>\$ 3,530,289</u>

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

TOWN OF NEWELLTON, LOUISIANA

**GOVERNMENTAL FUNDS
BALANCE SHEET
For the Year Ended June 30, 2020**

	<u>Major Fund General Fund</u>
ASSETS	
Cash	\$ 9,578
Receivables	
Sales taxes	6,803
Other receivables	234
Due from other governmental units	1,246
Prepaid expenses	<u>13,616</u>
Total assets	<u><u>31,477</u></u>
LIABILITIES AND FUND EQUITY	
Liabilities	
Accounts payable	8,737
Payroll liabilities	<u>14,421</u>
Total liabilities	<u><u>23,158</u></u>
Fund balances	
Non spendable	13,616
Unassigned (Deficit)	<u>(5,297)</u>
Total fund balances	<u><u>8,319</u></u>
Total liabilities and fund balances	<u><u>\$ 31,477</u></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
For the Year Ended June 30, 2020**

Total fund balances- governmental funds

Amounts reported for governmental activities are not financial resources and therefore, are not reported in the governmental funds:		\$	8,319
Governmental capital assets	1,677,435		
Less: accumulated depreciation	<u>1,170,358</u>		507,077
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Net pension liability			(421,522)
Deferred outflows for pensions are not reported in the governmental funds but are reported in the government-wide financial statements			107,784
Deferred inflows for pensions are not reported in the governmental funds but are reported in the government-wide financial statements			<u>(28,315)</u>
Total net position-governmental activities		\$	<u>173,343</u>

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, 2020

	Major Fund General Fund
Revenues	
Taxes	
Ad valorem	\$ 73,197
Sales	62,087
Charges for services	134,685
Franchise fees	15,517
Licenses and permits	39,252
Intergovernmental	
State	5,371
Fines and forfeitures	10,597
Use of money and property	5
Other revenues	1,406
Total revenues	342,117
Expenditures	
Current	
General government	167,862
Public safety-police	96,245
Public safety-fire	731
Public works	180,642
Total expenditures	445,480
Excess (deficiency) of revenues over expenditures	(103,363)
Other financing sources (uses)	
Transfers in	113,470
Total other financing sources (uses)	113,470
Excess (deficiency) of revenues and other sources over expenditures and other uses	10,107
Fund balance at the beginning of year	(1,788)
Fund balance at end of year	\$ 8,319

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

TOWN OF NEWELLTON, LOUISIANA

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Total net change in fund balances- governmental funds

Amount reported for governmental activities in the statement of activities are different because:	\$ 10,107
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	(74,141)
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)	40,783
Deferred inflows decrease (increase)	(20,670)
Net pension liability decrease (increase)	27,307
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on an accrual basis, expenses and liabilities are reported regardless of when financial resources are used. The net changes associated with these expenses/expenditures are as follows:	
Pension Expenses	(238,627)
Support from non-employer contributing related to the pension are not reported in the Governmental Funds but are reported in the governmental-wide financial statements	<u>(6,473)</u>
Total change in net position-governmental activities	<u>\$ (261,714)</u>

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

TOWN OF NEWELLTON, LOUISIANA

BUSINESS-TYPE ACTIVITIES-PRORIETARY FUND STATEMENT OF NET POSITION For the Year Ended June 30, 2020

	<u>Major Fund</u> <u>Enterprise Fund</u>
<u>Assets</u>	
Current Assets	
Cash	\$ 4,940
Investments	2,798
Accounts receivable-net	78,771
Prepaid expenses	<u>7,717</u>
Total current assets	<u>94,226</u>
Capital assets	
Non-depreciable	479,421
Depreciable	<u>7,183,891</u>
Total capital assets	7,663,312
Accumulated depreciation	<u>(4,075,485)</u>
Total capital assets, net	<u>3,587,827</u>
Other Assets	
Investment in jointly owned gas operations and maintenance fund	<u>(2,081)</u>
Total assets, net	<u>3,679,972</u>
<u>Liabilities</u>	
Current Liabilities	
Accounts payable and accrued expenses	57,055
Other liabilities	173,687
Customer deposits, payable from restricted assets	<u>92,284</u>
Total current liabilities	<u>323,026</u>
<u>Net Position</u>	
Net investment in capital assets	3,587,827
Unrestricted (Deficit)	<u>(230,881)</u>
Total net position	<u>\$ 3,356,946</u>

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

TOWN OF NEWELLTON, LOUISIANA

**BUSINESS TYPE ACTIVITY-ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2020**

	Major Fund
	Enterprise Fund
Operating Revenues	
Water & gas sales	\$ 345,126
Sewerage & plumbing fees	129,328
Penalties earned	<u>17,641</u>
Total operating revenues	<u>492,095</u>
Operating Expenses	
Salaries and related benefits	98,446
Professional expense	35,440
Insurance	37,323
Office supplies	148,792
Dues and subscriptions	4,853
Postage	1,648
Repairs and maintenance	4,943
Telephone	15,520
Travel and meetings	2,889
Utilities	28,811
Depreciation	138,396
Miscellaneous	<u>1,565</u>
Total operating expenses	518,626
Operating income (loss)	(26,531)
Nonoperating Revenues (Expenses)	
Grants	459,771
Interest Earnings	44
Loss from jointly owned gas operation and maintenance fund	<u>(914)</u>
Total nonoperating revenues (expenses)	<u>458,901</u>
Income (loss) before operating transfers	432,370
Operating Transfers	
Transfer out	<u>(113,470)</u>
Total transfers	<u>(113,470)</u>
Net income (loss)	318,900
Net position beginning of year	<u>3,038,046</u>
Net position end of year	<u><u>\$ 3,356,946</u></u>

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

TOWN OF NEWELLTON, LOUISIANA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

For the Year Ended June 30, 2020

Enterprise Fund
Water System

<u>Cash flows from operating activities</u>	
Receipts from customers	\$ 345,126
Other operating receipts	146,969
Payments to employees	(98,446)
Cash payments to suppliers for goods and services	<u>(275,720)</u>
Net cash provided (used) by operating activities	<u>117,929</u>
<u>Cash flows from noncapital financing activities</u>	
Receipts from noncapital grants	459,771
Transfers to general fund from the utility fund	<u>(113,470)</u>
Net cash provided (used) by non capital financing activities	<u>346,301</u>
<u>Cash flows from capital and related financing activities</u>	
Construction in progress	(459,771)
Net cash provided (used) by capital and related financing activities	<u>(459,771)</u>
<u>Cash flows from investing activities</u>	
Interest and dividends	<u>44</u>
Net cash provided (used) by investing activities	<u>44</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,503
Cash and Cash Equivalents, Beginning of Year	<u>437</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,940</u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating Income (Loss)	\$ (26,531)
Adjustments to reconcile operating income to net cash provided (used by) operating activities:	
Depreciation and amortization	138,396
(Increase) decrease in:	
Receivable, net	(4,478)
Due from other governments	48,880
Investments	(34)
Prepaid expenses	(1,259)
Increase (decrease) in:	
Accounts payable	(29,593)
Other liabilities	165,763
Pension related assets and liabilities	(173,687)
Customer deposits	<u>472</u>
Net cash provided (used) by operating activities	<u>\$ 117,929</u>
Supplemental disclosure of noncash investing, capital, and financing activities	
Loss from jointly owned gas operations and maintenance fund	<u>\$ (914)</u>
Decrease in the investment of the jointly owned gas operations and maintenance	<u>\$ 914</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, 2020

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.

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

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2020

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, 2020

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.

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

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2020

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.
 - 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.

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2020

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.
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.

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the Year Ended June 30, 2020

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, 2020.

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):

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2020

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.

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.

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the Year Ended June 30, 2020

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 does not have any such 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 amount 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 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 \$14,574 for the year ended June 30, 2020.

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the Year Ended June 30, 2020

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, 2020.

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 negative budget variance for charges to appropriations for fiscal year 2020. Total expenditures were budgeted at \$421,721 but actual expenditures totaled \$445,480 resulting in a negative variance of \$23,759.

Note 3 - Cash and Investments

At June 30, 2020, the Town has cash and investments totaling \$17,316 with \$14,518 in demand deposits and \$2,798 in certificates of deposit. 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 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

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2020

deposited funds upon demand. At year-end, the Town's carrying amount of deposits was \$9,578 and bank balances of \$10,460, all of which is covered by federal depository insurance. Accordingly, the Town had no custodial credit risk related to its deposits at June 30, 2020.

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 \$85,808 as of June 30, 2020 and are comprised of the following:

	<u>General Fund</u>	<u>Utility Fund</u>	<u>Total</u>
Accounts Receivable			
Franchise Fees	\$ 234	\$ -	\$ 234
Sales Taxes	6,803	-	6,803
Customer Receivables	-	90,830	90,830
Less: Allowance for Doubtful Accounts	-	(12,059)	(12,059)
Total	<u>\$ 7,037</u>	<u>\$ 78,771</u>	<u>\$ 85,808</u>

Note 5 - Due from Other Governments

On June 30, 2020, the Town had amounts due from other governments totaling \$1,246 of which all came from the General Fund. In the General Fund, \$1,246 is due from the State of Louisiana for beer taxes and occupational license proceeds.

Note 6 - Interfund Transfers

During fiscal year 2020, the Utility Enterprise Fund transferred \$113,470 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.

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2020

Note 7 - Changes in Capital Assets

The following schedule presents changes in capital assets for the year ended June 30, 2020:

	Balance 6/30/2019	Additions	Deletions	Balance 6/30/2020
Governmental Activities				
Nondepreciable assets				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Total nondepreciable assets	1,000	-	-	1,000
Depreciable assets				
Building	53,218	-	-	53,218
Vehicles	313,752	-	-	313,752
Furniture and equipment	41,471	-	-	41,471
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	(1,096,216)	(74,142)	-	(1,170,358)
Net governmental activities				
Capital assets	<u>\$ 581,219</u>	<u>\$ (74,142)</u>	<u>\$ -</u>	<u>\$ 507,077</u>
Business-type activities				
Nondepreciable assets				
Land	\$ 19,650	\$ -	\$ -	\$ 19,650
Total nondepreciable assets	19,650	-	-	19,650
Depreciable assets				
Water system	2,785,722	-	-	2,785,722
Sewer system	2,876,473	-	-	2,876,473
Gas system	1,327,176	-	-	1,327,176
Gas pipeline	9,429	-	-	9,429
Service equipment	185,092	-	-	185,092
Construction in Progress	-	459,771	-	-
Total depreciable assets	7,183,892	-	-	7,183,892
Less accumulated depreciation	(3,937,089)	(138,397)	-	(4,075,486)
Net business-type capital assets	<u>\$ 3,266,453</u>	<u>\$ 321,374</u>	<u>\$ -</u>	<u>\$ 3,587,827</u>

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2020

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 \$74,142 was charged to governmental activities as follows: General Government, \$2,000; Public Safety, \$23,882; and Public Works, \$48,260. Depreciation of \$138,397 as of June 30, 2020, 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, 2020, and for the year then ended, is as follows:

Assets	
Cash and cash equivalents	\$ 6,089
Total Assets	<u>6,089</u>
Liabilities	
Accounts payable and accrued expenses	10,089
Customer deposits	<u>162</u>
Total Liabilities	<u>10,251</u>
Net Position (Deficit) - Unrestricted	<u>\$ (4,162)</u>

The Joint Gas Line's net position decreased by \$1,829 in fiscal year 2020. 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.la.gov.

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the Year Ended June 30, 2020

Note 9 - Ad Valorem Taxes

For the year ended June 30, 2020, ad valorem taxes of 22.93 mills were levied on property with assessed valuations (exclusive of homestead exemption) totaling \$3,405,204 for general purposes. Ad valorem taxes attach as enforceable lien on the 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, 2020, substantially all taxes have been collected.

Note 10 - 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.

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2020

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 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, 2020, the Town's total payroll for all employees was \$279,800. The total covered payroll was \$154,719. 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, 2020, the actual employer contribution rate was 27.75% 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 9.50% 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, 2020, were \$48,552.

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

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2020

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, 2020, the Town reported a liability of \$421,522 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019, 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, 2019, the Town's proportion was 0.100875%, which was a decrease of 0.007820% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$79,237 plus amortization of changes in proportionate share and differences between employer contributions and proportionate share of contributions, which was \$7,574. The total pension expense for the Town for the year ended June 30, 2019 was \$86,811.

The Town recognized revenue in the amount of \$6,473 for support provided by nonemployer contributions.

At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2020

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 10,285
Changes in assumptions	10,652	-
Net difference between projected and actual earnings on pension plan investments	41,804	-
Changes in proportions and differences between employer contributions and proportionate share on contributions	-	18,030
Employer contributions subsequent to the measurement date	55,328	-
Total MERS	\$ 107,784	\$ 28,315

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, 2020.

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	MERS
2020	\$ 14,393
2021	902
2021	5,339
2023	3,509
	\$ 24,143

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2020, are as follows:

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2020

MERS

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining Service Lives	3 years
Investment Rate of Return	7.0%
Inflation Rate	2.5%
Salary Increases, including inflation	1-4 years 6.4% 4+ years 4.5%
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.

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, 2019 are summarized in the following table:

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2020

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity	50.0%	2.15%
Public fixed income	35.0%	1.51%
Alternative investments	<u>15.0%</u>	<u>0.64%</u>
Totals	<u>100.0%</u>	<u>4.3%</u>
Inflation		2.7%
Expected arithmetic nominal return		7.0%

The discount rate used to measure the total pension liability was 7.00% for the year ended June 30, 2019. 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 7.0%, 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 (6.0%) or one percentage-point higher (8.0%) than the current rate:

	1.0% Decrease 6.0%	Current Discount Rate 7.0%	1.0% Increase 8.0%
Net pension liability	\$ 549,590	\$ 421,522	\$ 313,245

Payables to the Pension Plan

These financial statements include a payable to the pension plan of, which is the legally required contribution due as of June 30, 2019. This amount is recorded in accrued expenses.

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2020

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 11 - 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, 2020 are as follows:

	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>
Operating Revenues	\$ 122,099	\$ 223,027	\$ 129,008	\$ 75,990
Operating Expenses	<u>160,000</u>	<u>245,000</u>	<u>75,000</u>	<u>38,626</u>
Operating Income	<u>\$ (37,901)</u>	<u>\$ (21,973)</u>	<u>\$ 54,008</u>	<u>\$ 37,364</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 12 - 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.

Note 13 - 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 District's financial report:

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the Year Ended June 30, 2020

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 District will include the requirements of this standard, as applicable, in its August 31, 2022 financial statements. All of the District'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 District 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 District will include the requirements of this standard, as applicable, in its August 31, 2022 financial statements. The effect of this standard or its applicability to the District 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 District does not believe it will be impacted by this statement.

Note 14 - Subsequent Events

Management has evaluated subsequent events through October 18, 2023, the date on which the financial statements were available to be issued, and determined the following pending subsequent events occurred that require disclosure: Construction was completed for an upgrade to the Town's water treatment plant through an \$800,000 Louisiana Community Development Block Grant.

Note 15 - Uncertainty about Going Concern

General Fund

For the year ended June 30, 2020, the General Fund's expenditures exceeded its revenues by \$103,363. The Town transferred \$113,470 from the Utility Fund to subsidize the General Fund which reduced the deficiency of revenues and other sources over expenditures and other uses to \$10,107. The General Fund's unrestricted equity balance on June 30, 2020, was a deficit of \$5,297.

TOWN OF NEWELLTON, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2020

Unaudited financials indicate that the deficit decreased in fiscal year 2021 and operating revenue exceeded operating expenditures in fiscal year 2022 and 2023. As of the report date, the Town continues to operate but resources are limited.

Utility Fund

For the year ended June 30, 2020, the Utility Fund's revenues exceeded expenses by \$432,370. Coupled with the \$113,470 transfer to the General Fund noted above, the Utility Fund had a net increase of \$318,900 for the year. For the past four years, including fiscal year 2020, the Utility Fund's expenses have exceeded revenues. The Utility Fund's deficit unrestricted net assets balance on June 30, 2020 was \$230,881.

Unaudited financials indicate that the deficit continued in fiscal years 2021 and 2022. The unaudited financials further indicate neither funds 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 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.

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, 2020**

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable/ (Unfavorable)
Resources (inflows)				
Ad valorem taxes	\$ 70,000	\$ 70,000	\$ 73,197	\$ 3,197
Sales and other taxes	60,000	60,000	62,087	2,087
Charges for services	72,000	72,000	134,685	62,685
License and permits				
Franchise revenue	17,500	17,500	15,517	(1,983)
Occupational & other licenses	40,000	40,000	39,252	(748)
Intergovernmental revenue	4,000	4,000	5,371	1,371
Fines and forfeitures	20,000	20,000	10,597	(9,403)
Interest income	25	25	5	(20)
Miscellaneous	1,000	1,000	1,406	406
Total Revenues	284,525	284,525	342,117	57,592
Charges to appropriations (outflows)				
Current:				
General government	142,796	142,796	167,862	(25,066)
Public safety				
Police safety	109,925	109,925	96,245	13,680
Fire department	500	500	731	(231)
Public works	168,500	168,500	180,642	(12,142)
Total charges to appropriations (outflows)	421,721	421,721	445,480	(23,759)
Other financing sources (uses):				
Transfers in	165,000	165,000	113,470	(51,530)
Net changes in fund balances	\$ 27,804	\$ 27,804	\$ 10,107	\$ 29,821
Fund balances, beginning			(1,788)	
Fund balances, ending			\$ 8,319	

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, 2020

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, 2020

Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's 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
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, 2020**

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
2020	\$ 42,934	\$ 48,552	\$ (5,618)	\$ 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.*

**Notes to Required Supplementary Information
(Unaudited)**

Changes of Assumptions or Other Inputs

Changes in assumptions about future economic or demographic factors or of other inputs were recognized 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 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, 2020

Chief Executive Officer: Timothy Turner, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 14,400
Benefits-retirement contributions	-
Mileage reimbursements	38
Purchase reimbursement	<u>18</u>
Total	<u><u>\$ 14,456</u></u>

See Independent Auditors' Report.

TOWN OF NEWELLTON, LOUISIANA

SCHEDULE OF COMPENSATION PAID TO ALDERMEN

For the Year Ended June 30, 2020

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.

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

**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***

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, and each major fund of the Town of Newellton, Louisiana, as of and for the year ended June 30, 2020, 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 October 18, 2023.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as items 2020-001, 2020-003, and 2020-004 to be a material weakness. 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. We consider the deficiency described in the accompany schedule of findings as item 2020-002 to be a significant deficiency.

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 as item 2020-005.

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
October 18, 2023

TOWN OF NEWELLTON, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2020

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 three material weaknesses and one significant deficiency 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, 2020

TOWN OF NEWELLTON, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2020

2020-001 Internal Control over Financial Reporting and Operations

First Year of Finding: 2019

Criteria

Proper internal controls over financial reporting require that accounting records contain up-to-date, accurate, and complete information to ensure that the financial data can be relied upon to monitor the financial condition of the entity. Financial records should be reviewed timely to supporting documentation to ensure that the transactions are properly recorded and classified in the accounting records.

Condition

The accounting program encountered a glitch that resulted in lost data. The accounting program faltered on its own and there was no backup in place from which to restore the data. The records were available to recreate the data, but reconstruction was time-consuming leaving a considerable period in which the Town did not have records available for management decision-making. Additionally, budget to actual financials were not presented to the Council monthly.

Utility functions are intermingled amongst themselves and the general fund (refer to 2020-002). Each utility function, water, sewer, gas, and garbage, should be maintained in its own fund to provide management with information on the sustainability of each function.

Cause

The software did not have a good backup process in place. The new town clerk was unaware of the need to present monthly budgets to actual reports to the Council or the need to differentiate utilities.

Effect

Management did not receive complete, thorough information necessary to make decisions in a timely manner.

Recommendations

Management should ensure the safety of accounting records and provide monthly budgets for actual comparisons to the Council.

TOWN OF NEWELLTON, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2020

Management's Response

The Town has changed consulting CPA firms. Beginning with July 2023, the new Firm is segregating utilities into its own fund for reporting purposes and is providing management with a monthly budget for actual comparisons. The accounting records are now in cloud-based secure software programs preventing likelihood of record loss due to mechanical failure. Further, the general ledger is being exported monthly and saved in a different cloud-based secure software program.

2020-002 Reporting over Business-like Funds

First Year of Finding: 2019

Criteria

Accounting records should allow management to assess the performance of each activity/fund independently. Each proprietary fund category should be maintained in its own fund with expenses, such as payroll, charged to the fund based upon actual expense related to that activity.

Condition

All business-like functions except for garbage fees which is recorded in the general fund are maintained in one fund. In order for management to assess the performance of each function, each utility, water, sewer, gas, and garbage, should be maintained in its own fund. Transfers to the general fund are made as the general fund needs monies rather than to repay the general fund for enterprise activities paid for through the general fund.

Cause

The funds were previously set up in a consolidated format.

Effect

Insufficient contest exists to determine if business-like activities are earning adequate revenue to meet or exceed the expenditures to operate the activity.

Recommendations

Management should realign accounting records to have business-like activities into their own funds.

TOWN OF NEWELLTON, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2020

Management's Response

The Town has changed consulting CPA firms. Beginning with July 2023, the new Firm is segregating utilities into their own fund for reporting purposes and is providing management with monthly financials by fund to include a separate accounting for each utility function.

2020-003 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, 2020, the General Fund's expenditures exceeded its revenues by \$103,363. The Town transferred \$113,470 from the Utility Fund to subsidize the General Fund which resulted in excess of revenues and other sources over expenditures and other uses of \$10,107. For the past five years, including fiscal year 2020, the General Fund's expenditures have exceeded revenues by an average of \$187,000. The General Fund's unrestricted equity balance on June 30, 2020, was a deficit of \$5,297.

Unaudited financials indicate that the deficit decreased in fiscal year 2021 and operating revenue exceeded operating expenditures in fiscal year 2022 and 2023. As of the report date, the Town continues to operate but resources are limited.

Utility Fund

For the year ended June 30, 2020, the Utility Fund's revenues exceeded its expenses by \$432,370. Coupled with the \$113,470 transfer to the General Fund noted above, the Utility Fund had a net increase of \$318,900 for the year. The Utility Fund's deficit unrestricted net assets balance on June 30, 2020, was \$230,881.

Unaudited financials indicate that the deficit continued in fiscal years 2021 and 2022. The unaudited financials further indicate that the Town has no funds dedicated to a major repair, which

TOWN OF NEWELLTON, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2020

may or may not happen. The Town also has no cash to restrict for the amount of 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.

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 expects to correct all deficits in about a two year time frame.

2020-004 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

TOWN OF NEWELLTON, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2020

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 Found

The Town’s 2020 budget approved July 10, 2019, was not approved timely. The amounts available for appropriations budgeted exceeded actual by \$57,592 (20.24%) and total charges to appropriations actually exceeded budget by \$23,759 (5.63%) without the budget being amended.

Causes

The Council did not revise the budget when required.

Effects

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

Management’s Response

The Town has changed consulting CPA firms. Beginning with July 2023, the new Firm is segregating utilities into their own fund for reporting purposes and is providing management with monthly budget to actual comparisons. The Firm will recommend revision when necessary to comply with the Local Government Budget Act.

2020-005 Late Submission of Audit Report to the Louisiana Legislative Auditor

First Year of Finding: 2013

Criteria

Louisiana Revised Stature 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.

TOWN OF NEWELLTON, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2020

Condition Found

The Town's audit report for the fiscal year ending June 30, 2020 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.

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.

Management's Response

The Town expects all audits to be completed no later than May 2024 which will put the Town back in compliance with the audit law.

TOWN OF NEWELLTON, LOUISIANA

SUMMARY OF PRIOR YEAR FINDINGS

For the Year Ended June 30, 2020

2019-001 Internal Control over Financial Reporting and Operations

Criteria

Proper internal controls over financial reporting requires that accounting records contain up-to-date, accurate, and complete information to ensure that the financial data can be relied upon to monitor the financial condition of the entity. Financial records should be reviewed timely to supporting documentation to ensure that the transactions are properly recorded and classified in the accounting records.

Condition

The accounting program encountered a glitch that resulted in lost data. The accounting program faltered on its own and there was no back up in place from which to restore the data. The records were available to recreate the data, but reconstruction was time consuming leaving a considerable period in which the Town did not have records available for management decision-making. Additionally, budget to actual financials were not presented to the Council monthly.

Utility functions are intermingled amongst themselves and the general fund (refer to 2019-002). Each utility function, water, sewer, gas and garbage, should be maintained in its own fund to provide management with information on sustainability of each function.

Recommendations

Management should ensure the safety of accounting records and provide monthly budget to actual comparisons to the Council.

Current Status

Unresolved. See Finding 2020-001.

2019-002 Reporting over Utilities

Criteria

Accounting records should allow management to assess the performance of each activity independently. Each category of utility, such as gas, should be maintained in its own fund with expenses, such as payroll, charged to the fund based upon actual expense related to that function.

Condition

All utility functions are one utility fund except for garbage which is recorded in the general fund. In order for management to assess the performance of each function, each utility, water, sewer, gas, and garbage, should be maintained in its own fund. Transfers to the general fund are made

TOWN OF NEWELLTON, LOUISIANA

SUMMARY OF PRIOR YEAR FINDINGS (Continued) For the Year Ended June 30, 2020

as the general fund needs monies rather than to repay the general fund for enterprise activities paid for by the general fund.

Recommendations

Management should realign accounting records to have utilities broken into their own funds.

Current Status

Unresolved. See Finding 2020-002.

2019-003 Financial Stability

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, 2019, the General Fund's expenditures exceeded its revenues by \$185,653. The Town transferred \$179,369 from the Utility Fund to subsidize the General Fund which reduced the deficiency of revenues and other sources over expenditures and other uses to \$6,284. For the past five years, including fiscal year 2019, the General Fund's expenditures have exceeded revenues by an average of \$187,000. The General Fund's unrestricted equity balance on June 30, 2019, was a deficit of \$13,077. Unaudited financials indicate that the deficit decreased in fiscal year 2020 and operating revenue exceeded operating expenditures in fiscal year 2021 and 2022. However, the losses for the four-year period of 2019-2022 are cumulatively more than \$137,000 (unaudited). As of the report date, the Town continues to operate but resources are limited.

Utility Fund

For the year ended June 30, 2019, the Utility Fund's expenses exceeded its revenues by \$55,557. Coupled with the \$179,369 transfer to the General Fund noted above, the Utility Fund had a net decrease of \$234,926 for the year. For the past four years, including fiscal year 2019, the Utility Fund's expenses have exceeded revenues. The Utility Fund's deficit unrestricted net assets balance on June 30, 2019 was \$227,240.

TOWN OF NEWELLTON, LOUISIANA

**SUMMARY OF PRIOR YEAR FINDINGS (Continued)
For the Year Ended June 30, 2020**

Unaudited financials indicate that the deficit continued in fiscal years 2020, 2021 and 2022. 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 the amount of 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. 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.

Recommendations

Management should ensure expenditures do not exceed revenue.

Current Status

Unresolved. See Findings 2020-003.

2019-004 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".

TOWN OF NEWELLTON, LOUISIANA

**SUMMARY OF PRIOR YEAR FINDINGS (Continued)
For the Year Ended June 30, 2020**

Condition

The Town's 2019 budget approved July 10, 2019 was not approved timely. The amounts available for appropriations budgeted exceeded actual by \$29,110 (5.47%) and total charges to appropriations actual exceeded budget by \$58,692 (13.92%) without 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 2020-004.

2019-005 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, 2019 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 2020-005.