

TOWN OF NEWELLTON, LOUISIANA

**Financial Statements
As of and For the Year Ended June 30, 2006**

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

Release Date 1-31-07

TOWN OF NEWELLTON, LOUISIANA
Financial Report
As Of and For The Year Ended June 30, 2006

TABLE OF CONTENTS

	<u>Statement</u>	<u>Page</u>
FINANCIAL SECTION		
Independent Auditors' Report		1
Required Supplemental Information (Part A)		
Management's Discussion and Analysis		4
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Assets	A	12
Statement of Activities	B	13
Fund Financial Statements:		
Balance Sheet – Governmental Funds	C	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	D	16
Statement of Revenues, Expenditures, and Changes In Fund Balances – Governmental Funds	E	17
Reconciliation of the Statement of Revenues, Expenditures, And Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	18
Statement of Net Assets – Proprietary Funds	G	19
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	H	20
Statement of Cash Flows – Proprietary Funds	I	22
Notes to the Financial Statements		24

TOWN OF NEWELLTON, LOUISIANA
Financial Report
As Of and For The Year Ended June 30, 2006

TABLE OF CONTENTS

	<u>Schedule</u>	<u>Page</u>
Required Supplemental Information (Part B)		
Budgetary Comparison Schedules:		
General Fund	1	47
Other Supplemental Information		
Non-Major Debt Service Funds:		
Combining Balance Sheet	2	49
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance	3	50
Statements of Net Assets – Utility Fund	4	51
Statements of Revenues, Expenses, and Changes in Net Assets	5	52
Statements of Cash Flows	6	53
Schedule of Changes in Restricted Assets	7	55
Schedule of Compensation Paid Aldermen	8	57

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		59
Schedule of Findings		61
Summary Status of Prior Year Findings		65



Francis I. Huffman, CPA
L. Fred Monroe, CPA
Esther Atteberry, CPA

John L. Luffey, MBA, CPA (1963-2002)

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Town of Newellton, Louisiana (the Town) as of June 30, 2006, and for the year then ended, which collectively comprise the Town's basic financial statements as listed in the accompanying Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, published by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2006 and the results of its operations and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2006 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

The Management's Discussion and Analysis and the budgetary information on pages 4 through 10 and page 47, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as Other Supplemental Information, Schedules 2 through 8 in the accompanying Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Town. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



(A Professional Accounting Corporation)

December 8, 2006

**REQUIRED SUPPLEMENTAL INFORMATION
(PART A)**

Town of Newellton
Management's Discussion and Analysis (MD&A)
June 30, 2006

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, 2006. 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 of the Town of Newellton exceeded its liabilities at the close of the most recent fiscal year by \$4,914,808
 - ✓ Of this amount \$4,418,884 represented a restriction equal to the net amount invested in land, building, equipment and construction in progress.
 - ✓ The remainder of \$495,924 of unrestricted net assets could be used by the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$414,352. This increase was attributable to Federal grants awarded during the current year.
- As of the close of the current fiscal year, the Town of Newellton's governmental funds reported combined ending fund balances of \$143,134, an increase of \$59,600 in comparison with the prior year. Of this total amount, \$132,082 is available for spending at the government's discretion (*unreserved fund balance*).
- The Town of Newellton's total debt decreased by approximately \$95,000 during the current fiscal year which includes the retirement of two debt issues that were paid off early.

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 supplementary 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's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Town of Newellton's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Newellton is improving or deteriorating.

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets 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 this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the 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 a 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 of 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 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 5 individual governmental funds. 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 and for the Street Improvement Capital Projects Fund, both of which are considered to be major funds. Data from the other 3 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Town of Newellton adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided on page 47 for the General Fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 15 and 17 of this report.

Proprietary funds. The Town of Newellton maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements can be found on pages 19 through 23 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 24 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town of Newellton's compliance with budgets for its major funds. The combining statements for non-major governmental funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis. Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Newellton, assets exceeded liabilities by \$4,914,808 at June 30, 2006. The combined net assets increased between fiscal years 2005 and 2006 by approximately \$414,000.

Capital assets consisting of land, buildings, machinery and equipment account for the majority of the Town's net assets of \$4,914,808. Capital assets, net of depreciation and related debt included in Net Assets total \$4,288,941. The Town of Newellton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Newellton's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Condensed Financial Statements

Table 1
Condensed Statement of Net Assets
As of June 30, 2006 and 2005

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 134,616	\$ 147,325	\$ 604,632	\$ 536,514	\$ 739,248	\$ 683,839
Capital assets	638,441	318,707	4,680,368	4,840,146	5,318,809	5,158,853
Total assets	<u>773,057</u>	<u>466,032</u>	<u>5,285,000</u>	<u>5,376,660</u>	<u>6,058,057</u>	<u>5,842,692</u>
Current and other liabilities	4,377	64,128	159,654	191,821	164,031	255,949
Long-term liabilities	36,574	69,680	942,644	1,016,607	979,218	1,086,287
Total liabilities	<u>40,951</u>	<u>133,808</u>	<u>1,102,298</u>	<u>1,208,428</u>	<u>1,143,249</u>	<u>1,342,236</u>
Net Assets:						
Invested in capital assets, net of related debt:						
Restricted	589,118	253,431	3,699,823	3,434,436	4,288,941	3,687,867
Unrestricted	6,444	23,783	123,499	137,986	129,943	161,769
Total net assets	<u>\$ 732,106</u>	<u>\$ 332,224</u>	<u>\$ 4,182,702</u>	<u>\$ 4,168,232</u>	<u>\$ 4,914,808</u>	<u>\$ 4,500,456</u>

Net assets of the Town's governmental activities increased 120% to approximately \$732,000. Net assets of the Town's business-type activities increased 1% to approximately \$4.18 million.

Changes in net assets. The Town's total revenue increased by approximately \$453,000 to \$1.7 million (see Table 2). Approximately 61% of the Town's revenue comes from charges for services, and 7% comes from tax collections.

The total cost of programs and services increased approximately \$91,000 or 7%. The Town's expenses cover all services performed by its office.

Governmental Activities

Revenues for the Town's governmental activities increased 68% while total expenses increased by 3%.

Table 2
Changes in the Town's Net Assets
Fiscal Years Ended June 30,

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues						
Program Revenues:						
Charges for services	\$ 79,620	\$ 77,877	\$ 975,254	\$ 731,077	\$ 1,054,874	\$ 808,954
Operating grants and contributions	53,485	44,985	-	-	53,485	44,985
Capital Grants and contributions	384,034	84,551	10,000	52,500	394,034	137,051
General Revenues:						
Property taxes	61,709	58,005	-	-	61,709	58,005
Sales taxes	61,324	67,392	-	-	61,324	67,392
Other taxes	2,660	2,951	-	-	2,660	2,951
Other general revenues	181,994	154,020	(76,270)	7,355	105,724	161,375
Total revenues	<u>824,826</u>	<u>489,781</u>	<u>908,984</u>	<u>790,932</u>	<u>1,733,810</u>	<u>1,280,713</u>
Expenses:						
General government	148,742	138,977	-	-	148,742	138,977
Public safety	114,961	113,396	-	-	114,961	113,396
Public works	156,141	154,314	-	-	156,141	154,314
Culture and recreation	2,452	1,152	-	-	2,452	1,152
Interest on long-term debt	2,648	3,392	49,841	53,674	52,489	57,066
Water, sewer, and gas expenses	-	-	844,673	763,205	844,673	763,205
Total expenses	<u>424,944</u>	<u>411,231</u>	<u>894,514</u>	<u>816,879</u>	<u>1,319,458</u>	<u>1,228,110</u>
Increase (decrease) in assets	\$ <u>399,882</u>	\$ <u>78,550</u>	\$ <u>14,470</u>	\$ <u>(25,947)</u>	\$ <u>414,352</u>	\$ <u>52,603</u>

Expenses are classified by functions/programs. General government accounts for approximately 35% or \$148,000 while public safety and public works accounts for approximately 27% and 37% or \$115,000 and \$156,000 respectively for the fiscal year 2006.

The related program revenues for fiscal 2006 directly related to these expenses totaled \$517,139, which resulted in net program revenue of \$92,195. 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:

- Sales tax revenues are the largest revenue source for the Town of Newellton. It provides approximately \$61,000 of General Fund Revenue.
- Licenses and Permits are a significant source of revenue to the Town, generating approximately \$66,000 of General Fund Revenue.
- Property taxes provide the other major source of revenue for the Town, generating approximately \$62,000 in General Fund Revenue.

Business-type activities.

Business-type activities increased the Town of Newellton's net assets by approximately \$14,000.

Revenues increased approximately 15% to \$908,984 and expenses of the Town's business-type activities increased approximately 10% to 894,514.

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, unreserved 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 of the end of the current fiscal year, the Town of Newellton's governmental funds reported an ending fund balance of \$143,134, an increase of \$59,600 in comparison with the prior year. Approximately 92% of this total amount (\$132,082) constitutes unreserved fund balance, which is available for spending at the Town's discretion. The remainder of fund balance is reserved 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 General Fund and all Special Revenue funds prior to June 30. The original budget for the Town was adopted on June 8, 2005, and the final budget amendment was adopted later in FY2006.

Revenues: Overall revenues for the General Fund were projected to decrease during FY 2006 by \$8,500 from the previous year. Property and Sales taxes were together projected to decrease \$5,800 from 2005 estimates. All other revenues were projected to decrease by approximately \$3,000.

Expenditures: General governmental expenditures comprise 36% of the General Funds Appropriations. Police and fire expenditures were expected to increase by \$335. Appropriations for all other major categories increased from the prior year's budget.

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, 2006, amounts to \$5,318,835 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery, vehicles and equipment (See Table 3). This represents a net increase of approximately \$160,000 or 3%.

Table 3
The Town of Newellton Capital Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ -	\$ -	\$ 19,650	\$ 19,650	\$ 19,650	\$ 19,650
Buildings	21,000	21,000	-	-	21,000	21,000
Furniture and equipment	457,765	497,765	98,883	139,241	556,648	637,006
Water system	-	-	1,974,648	2,033,380	1,974,648	2,033,380
Sewer system	-	-	3,370,449	3,370,449	3,370,449	3,370,449
Gas system	-	-	1,337,455	1,337,455	1,337,455	1,337,455
Streets and drainage	492,185	-	-	-	492,185	-
Construction in Progress	-	108,151	-	-	-	108,151
Total	970,950	626,916	6,801,085	6,900,175	7,772,035	7,527,091
Less: accumulated depreciation	(332,509)	(308,209)	(2,120,717)	(2,060,029)	(2,453,226)	(2,368,238)
Total Capital Assets	<u>\$ 638,441</u>	<u>\$ 318,707</u>	<u>\$ 4,680,368</u>	<u>\$ 4,840,146</u>	<u>\$ 5,318,809</u>	<u>\$ 5,158,853</u>

Long-Term Debt At the end of the current fiscal year, the Town had \$49,323 in general obligations bonds. They also had revenue bonds outstanding of \$980,546. This debt represents bonds secured solely by specified revenue sources such as the Utility Fund revenues.

Table 4
Town of Newellton Outstanding Debt
As of June 30,

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenue Bonds	\$ -	\$ -	\$ 980,545	\$ 1,046,517	\$ 980,545	\$ 1,046,517
General Obligation Bonds	-	-	-	9,000	-	9,000
General Obligation Notes	49,323	61,552	-	-	49,323	61,552
Capital Leases	-	8,128	-	-	-	8,128
Total Debt	<u>\$ 49,323</u>	<u>\$ 69,680</u>	<u>\$ 980,545</u>	<u>\$ 1,055,517</u>	<u>\$ 1,029,868</u>	<u>\$ 1,125,197</u>

Economic Factors and Next Year's Budgets and Rates

Factors considered in preparing the Town of Newellton's budget for the 2006 fiscal year included the impact that will be made by the loss of some businesses due to a declining population base. This loss will impact the Town's sales and property tax revenue.

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.

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

TOWN OF NEWELLTON
Newellton, Louisiana

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 109,485	\$ 137,023	\$ 246,508
Receivables	11,493	96,063	107,556
Due from other governmental units	2,586	-	2,586
Prepaid expenses	4,462	7,971	12,433
Restricted assets:			
Cash	6,590	129,508	136,098
Capital assets, net	638,441	4,680,368	5,318,809
Investment in jointly owned gas operations and maintenance fund	-	234,067	234,067
Total Assets	<u>773,057</u>	<u>5,285,000</u>	<u>6,058,057</u>
Liabilities			
Accounts payable and accrued expenses	8,967	22,159	31,126
Internal balances	(17,485)	17,485	-
Deposits held	-	76,100	76,100
Accrued interest payable	146	6,009	6,155
Long-term liabilities			
Due within one year	12,749	37,901	50,650
Due in more than one year	36,574	942,644	979,218
Total Liabilities	<u>40,951</u>	<u>1,102,298</u>	<u>1,143,249</u>
Net Assets			
Invested in capital assets, net of related debt	589,118	3,699,823	4,288,941
Restricted for:			
Debt service	6,444	72,718	79,162
Depreciation and contingency	-	50,781	50,781
Unrestricted	136,544	359,380	495,924
Total Net Assets	<u>\$ 732,106</u>	<u>\$ 4,182,702</u>	<u>\$ 4,914,808</u>

The accompanying notes are an integral part of this statement.

TOWN OF NEWELLTON
Newellton, Louisiana

Statement of Activities

June 30, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government:	\$ 148,742	\$ -	\$ -	\$ -	\$ (148,742)	\$ -	\$ (148,742)
Public safety	114,961	-	19,355	-	(95,606)	-	(95,606)
Public works	156,141	79,620	32,880	384,034	340,393	-	340,393
Culture and recreation	2,452	-	1,250	-	(1,202)	-	(1,202)
Interest and fiscal charges on long-term debt	2,648	-	-	-	(2,648)	-	(2,648)
Total governmental activities	424,944	79,620	53,485	384,034	92,195	-	92,195
Business-type activity:							
Utility fund	844,673	975,254	-	10,000	-	140,581	140,581
Interest and fiscal charges on long-term debt	49,841	-	-	-	-	(49,841)	(49,841)
Total business-type activities	894,514	975,254	-	10,000	-	90,740	90,740
Total primary government	\$ 1,319,458	\$ 1,054,874	\$ 53,485	\$ 394,034	92,195	90,740	182,935
General revenues:							
Taxes:							
Ad valorem taxes					61,709	-	61,709
Sales taxes					61,324	-	61,324
Other taxes					2,660	-	2,660
Video poker					9,977	-	9,977
Licenses and permits					65,701	-	65,701
Fines and forfeitures					26,784	-	26,784
Interest and investment earnings					1,420	5,003	6,422
Other					6,034	-	6,034
Loss on disposition of assets					-	(32,345)	(32,345)
Income from jointly owned gas operations and maintenance fund					-	23,151	23,151
Transfers in (out)					72,078	(72,078)	-
Total general revenues					307,687	(76,270)	231,417
Change in net assets					399,882	14,470	414,352
Net assets at beginning of year					332,224	4,168,232	4,500,456
NET ASSETS AT END OF YEAR					\$ 732,106	\$ 4,182,702	\$ 4,914,808

The accompanying notes are an integral part of this statement

FUND FINANCIAL STATEMENTS

TOWN OF NEWELLTON
Newellton, Louisiana
Governmental Funds
Balance Sheet
June 30, 2006

	<u>Major Funds</u>		<u>Other Governmental Funds</u>	<u>Total</u>
	<u>General Fund</u>	<u>Street Improvement</u>		
ASSETS				
Cash & cash equivalents	\$ 94,772	\$ -	\$ 14,713	\$ 109,485
Receivables:				
Sales taxes	5,501	-	-	5,501
Other receivables	5,992	-	-	5,992
Due from other governmental units	2,586	-	-	2,586
Restricted Assets:				
Cash	-	-	6,590	6,590
Prepaid Expenses	4,462	-	-	4,462
Due from other funds	17,485	-	-	17,485
TOTAL ASSETS	\$ 130,798	\$ -	\$ 21,303	\$ 152,101
 LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable and accrued expenses	\$ 8,967	\$ -	\$ -	\$ 8,967
Total liabilities	8,967	-	-	8,967
 Fund equity:				
Fund balance:				
Reserved for debt service	-	-	6,590	6,590
Reserved for prepaid expenses	4,462	-	-	4,462
Unreserved/undesignated	117,369	-	14,713	132,082
Total fund balance	121,831	-	21,303	143,134
TOTAL LIABILITIES AND FUND EQUITY	\$ 130,798	\$ -	\$ 21,303	\$ 152,101

The accompanying notes are an integral part of this statement.

TOWN OF NEWELLTON
Newellton, Louisiana
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
June 30, 2006

Fund balances - total governmental funds	\$	143,134
Amounts reported for governmental activities are not financial resources and, therefore, are not reported in the governmental funds		
Governmental capital assets	\$	970,950
Less: accumulated depreciation		<u>(332,509)</u>
		638,441
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the governmental funds.		
Accrued interest payable		(146)
Certificates of indebtedness payable		<u>(49,323)</u>
		<u>(49,469)</u>
Net assets of governmental funds	\$	<u><u>732,106</u></u>

TOWN OF NEWELLTON
Newellton, Louisiana
Governmental Funds
Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2006

	<u>Major Funds</u>		<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>Street</u>	<u>Governmental</u>	
	<u>Fund</u>	<u>Improvement</u>	<u>Funds</u>	
Revenues:				
Taxes:				
Ad valorem	\$ 61,709	\$ -	\$ -	\$ 61,709
Sales	61,324	-	-	61,324
Charges for services	79,620	-	-	79,620
Licenses and permits, and commission for services	65,701	-	-	65,701
Intergovernmental:				
Federal	-	384,034	-	384,034
State	16,237	-	-	16,237
Local	39,930	-	9,955	49,885
Fines and forfeitures	26,784	-	-	26,784
Use of money and property	1,121	-	299	1,420
Other revenues	6,034	-	-	6,034
Total Revenues	<u>358,460</u>	<u>384,034</u>	<u>10,254</u>	<u>752,748</u>
Expenditures:				
Current:				
General government	147,530	-	-	147,530
Public safety-police	89,377	-	-	89,377
Public safety-fire	2,332	-	-	2,332
Public works	116,305	384,034	-	500,339
Culture and recreation	2,452	-	-	2,452
Debt service	13,241	-	9,955	23,196
Total Expenditures	<u>371,237</u>	<u>384,034</u>	<u>9,955</u>	<u>765,226</u>
Excess (Deficiency) of Revenues	(12,777)	-	299	(12,478)
Other Financing Sources/(Uses)				
Transfers in	74,194	-	996	75,190
Transfers out	(996)	-	(2,116)	(3,112)
Total Other Financing Sources/(Uses)	<u>73,198</u>	<u>-</u>	<u>(1,120)</u>	<u>72,078</u>
Excess (Deficiency) of Revenues Over Expenditures	60,421	-	(821)	59,600
Fund Balances at Beginning of Year	<u>61,410</u>	<u>-</u>	<u>22,124</u>	<u>83,534</u>
FUND BALANCES AT END OF YEAR	<u>\$ 121,831</u>	<u>\$ -</u>	<u>\$ 21,303</u>	<u>\$ 143,134</u>

The accompanying notes are an integral part of this statement.

TOWN OF NEWELLTON
Newellton, Louisiana

**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2006**

Net change in fund balances - total governmental funds	\$	59,600
Amount reported for governmental activities in the statement of activities are different because:		
<p>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.</p>		
Capital outlay	\$ 384,034	
Depreciation expense	<u>(64,300)</u>	319,734
<p>The issuance of long-term debt provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.</p>		
Principal payments	12,229	
Capital lease payments	<u>8,128</u>	20,357
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Accrued interest payable		<u>191</u>
Change in net assets of governmental activities	\$	<u>399,882</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Business-type Activities - Enterprise Fund
Statement of Net Assets
June 30, 2006

	<u>Utility Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 137,023
Accounts receivable - net	96,063
Prepaid expenses	7,971
Total current assets	<u>241,057</u>
Restricted assets:	
Cash	129,508
Total restricted assets	<u>129,508</u>
Capital assets:	
Non-depreciable	19,650
Depreciable	6,781,435
Total capital assets	6,801,085
Accumulated depreciation	<u>(2,120,717)</u>
Net capital assets	<u>4,680,368</u>
Other assets:	
Investment in jointly owned gas operations and maintenance fund	<u>234,067</u>
Total assets	\$ <u>5,285,000</u>
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable and accrued expenses	\$ 22,159
Due to other funds	17,485
Total current liabilities	<u>39,644</u>
Liabilities payable from restricted assets:	
Accrued interest payable	6,009
Customer deposits (net)	76,100
Current portion of revenue bonds payable	37,901
Total restricted liabilities	<u>120,010</u>
Noncurrent liabilities:	
Revenue bonds payable	942,644
Total noncurrent liabilities	<u>942,644</u>
Total liabilities	<u>1,102,298</u>
Net assets	
Invested in capital assets, net of related debt	3,699,823
Restricted	
Debt service	72,718
Depreciation and contingency	50,781
Unrestricted	<u>359,380</u>
Total net assets	<u>4,182,702</u>
Total liabilities and net assets	\$ <u>5,285,000</u>

The accompanying notes are an integral part of this financial statement

TOWN OF NEWELLTON
Newellton, Louisiana

Business Type Activity - Enterprise Fund
Statement of Revenues, Expenses, and Changes in
Net Assets
For The Year Ended June 30, 2006

	<u>Utility Fund</u>
OPERATING REVENUES	
Water sales	\$ 266,375
Gas sales	479,901
Sewerage fees	206,601
Plumbing fees	4,234
Penalties	12,734
Other operating revenues	5,409
Total operating revenues	<u>975,254</u>
OPERATING EXPENSES	
Bad debts	13,159
Depreciation	137,311
Dues and subscriptions	1,002
Engineering	7,940
Equipment	9,028
Gas purchases	309,629
Insurance - general	50,213
Legal and audit	15,043
Miscellaneous expenses	4,506
Office supplies	6,294
Postage	2,855
Salaries and related benefits	100,336
Supplies-plant	3,078
Supplies and expenses-gas	8,458
Supplies and expenses-sewer	46,532
Supplies and expenses-water	60,054
Telephone	7,178
Travel and meetings	4,214
Utilities	57,843
Total operating expenses	<u>844,673</u>

(Continued)

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

TOWN OF NEWELLTON
Newellton, Louisiana

Business Type Activity - Enterprise Fund
Statement of Revenues, Expenses, and Changes in
Net Assets (Concluded)
For The Year Ended June 30, 2006

	<u>Utility Fund</u>
Operating Income	130,581
NONOPERATING REVENUES (EXPENSES)	
Grants	10,000
Interest earnings	5,002
Loss on disposal of assets	(32,345)
Income from jointly owned gas line	23,151
Interest expense	(49,841)
Total nonoperating revenue (expenses)	<u>(44,033)</u>
Net income before operating transfers	86,548
OPERATING TRANSFERS	
Transfers out	<u>(72,078)</u>
Net transfers	(72,078)
Net profit	14,470
Net assets beginning of year	<u>4,168,232</u>
Net assets end of year	<u>\$ 4,182,702</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Business-type Activity - Enterprise Fund
Statement of Cash Flows
For the Year Ended June 30, 2006

	<u>Utility Fund</u>
Cash flows from operating activities	
Cash received from customers	\$ 1,017,766
Cash paid for employee services	(100,337)
Cash payments to suppliers for goods and services	(622,629)
Net cash provided by operating activities	<u>294,800</u>
Cash flows from noncapital financing activities	
Transfers to general fund from the utility fund	<u>(116,654)</u>
Net cash used in noncapital financing activities	<u>(116,654)</u>
Cash flows from capital and related financing activities	
Grant received for acquisition of capital assets	10,000
Acquisition of capital assets	(10,130)
Proceeds from sale of capital assets	253
Principal paid on debt	(74,972)
Interest paid on debt	(51,175)
Net cash used for financing activities	<u>(126,024)</u>
Cash flows from investing activities	
Interest received on investments	5,002
Sale of short-term investments	62,705
Net cash provided by investing activities	<u>67,707</u>
Net increase in cash and cash equivalents	119,829
Cash and cash equivalents, beginning of year	<u>146,702</u>
Cash and cash equivalents, end of year	<u>\$ 266,531</u>
Shown on the accompanying statement of net assets as:	
Cash	\$ 137,023
Restricted assets:	
Cash	<u>129,508</u>
Total	<u>\$ 266,531</u>

(Continued)

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

TOWN OF NEWELLTON
Newellton, Louisiana

Business-type Activity - Enterprise Fund
Statement of Cash Flows (Concluded)
For the Year Ended June 30, 2006

	<u>Utility Fund</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	\$ 130,581
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	137,311
Loss on disposal	32,598
Bad debt expense	13,159
Change in assets and liabilities	
Accounts receivable	5,411
Prepaid expenses	5,565
Accounts payable and accrued liabilities	(34,327)
Due to other funds	(2,837)
Customer deposits	<u>7,340</u>
Net cash provided by operating activities	\$ <u>294,801</u>
Supplemental disclosure of noncash capital investing activities:	
Increase in the investment of the jointly owned gas operations and maintenance fund	\$ <u>23,151</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2006

Note 1 - Summary of Significant Accounting Policies

A. 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 a Utilities 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. 14 established criteria for determining which component units should be considered part of the Town for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is accountability. These criteria include:

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

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2006

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:

B. 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 (individual major fund and combined non-major fund). 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 assets 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.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2006

Fund Financial Statements

The Town uses funds, both major and non-major, 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 summarized into a single column in the basic financial statements.

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 the governmental and proprietary 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.

Special Revenue Fund - This fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

Debt Service Funds - These funds are used to account for financial resources accumulated to pay principal and interest on general long-term debt.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2006

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 basic 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

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 budget in the year billed to the extent of collections expected. The Town bill 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.

Expenditures

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

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2006

Proprietary Funds:

The Proprietary Fund is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred. During the current year, the Town increased its utility rates. Rates are charged for services are as follows:

1. Water rates charged:
 - a. Residential customers are charged \$15.00 for the first 2,000 gallons of water and \$3.86 for each additional 1,000 gallons or fraction thereof.
 - b. Commercial customers are charged \$19.00 for the first 2,000 gallons of water used and then \$3.86 for each additional 1,000 gallons or fraction thereof.
2. Sewer rates charged;
 - a. Residential customers are billed \$14.20 for the first 3,000 gallons of water used. They are then billed \$3.21 for each 1,000 gallons or fraction thereof.
 - b. Commercial customers are charged \$18.46 for the first 3,000 gallons of water purchased. They are then charged \$3.21 for each additional 1,000 gallons or fraction thereof of water used.
3. Gas rates charged to customers are \$16.50 for the first 1,000 cubic feet of gas used and \$16.50 for each additional 1,000 cubic feet used.

C. *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.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2006

3. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.
4. All legally adopted budgets of the Town are adopted on a basis consistent with GAAP. A budget is adopted for the General Fund and the Special Revenue Fund; encumbrance accounting is not used by the Town.

For the year ended June 30, 2006, the Town adopted a budget for the General Fund and a Special Revenue fund.

E. 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, the 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.

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 OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2006

Town began capitalizing infrastructure as expenditures were incurred.

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

All purchased capital assets are recorded at cost where historical records are available and at estimated cost where no historical records are available. Donated fixed assets are value date 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, 2006.

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

Water System	50 – 99
Sewerage System	50
Gas Transmission and Distribution System	50 – 99
Equipment	3 – 10
Infrastructure Streets and Drainage	15

Long-Term Liabilities

In the government-wide statement of net assets and in the proprietary fund type financial statements, long-term debt is reported as liabilities. Long-term liabilities expected to be financed from enterprise fund operations are accounted for in the enterprise fund.

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 \$30,500 has been set up for the year ended June 30, 2006.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2006

Compensated Absences

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

Reserves of Fund Equity

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

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 \$20,378 for the year ended June 30, 2006.

Net Assets

Net assets represent the difference between asset and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvement to those assets. Net assets are reported as restricted when there are limitations imposed on their use by external parties such as creditors, grantors, laws or regulations of other governments.

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. Details of restricted net assets at year-end are presented in Note 4.

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.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2006

Note 2 - Cash and Cash Equivalents

Custodial credit risk – deposits. 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 deposited funds upon demand. Accordingly, the Town had no custodial credit risk related to its deposits at June 30, 2006.

At June 30, 2006, the Town has cash and cash equivalents, totaling \$382,606, as follows:

Petty Cash	\$ 139
Demand Deposits	<u>382,467</u>
Total	<u>\$ 382,606</u>

These deposits are stated at cost, which approximates market. 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. Cash and cash equivalents (bank balances other than these backed by the U.S. government) at June 30, 2006, are secured, as follows:

Bank Balances	\$ <u>406,879</u>
Federal deposit insurance	\$ 111,304
Pledged Securities	<u>308,748</u>
Total	<u>\$ 420,052</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2006

Note 3 - 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 \$110,142 at of June 30, 2006 and are comprised of the following:

Fund Type	Franchise Fees	Accounts	Other	Total
General	\$ 2,586	\$ -	\$ 11,494	\$ 14,080
Proprietary	-	125,700	862	126,562
Less allowance for doubtful accounts	-	(30,500)	-	(30,500)
Total	\$ 2,586	\$ 95,200	\$ 12,356	\$ 110,142

The town has 470 residential and 48 commercial water customers and 460 residential and 46 commercial sewer customers. They also serve 408 residential and 40 commercial gas customers. An aging of the utility receivables as of June 30, 2006 is as follows:

	Water	Gas	Sewer	Other	Total
Current	\$ 34,718	\$ 25,971	\$ 26,878	\$ 8,915	\$ 96,482
31-60 Days	421	375	347	132	1,275
61-90 Days	436	853	372	-	1,661
91-120 Days	444	1,227	366	106	2,143
Over 120 Days	4,998	11,264	5,701	2,176	24,139
Total	\$ 41,017	\$ 39,690	\$ 33,664	\$ 11,329	\$ 125,700

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2006

Note 4 - Restriction on Use of Funds

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

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

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

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

Under the terms of the bond indenture pertaining to Revenue Bonds dated April 6, 1976, all income and revenue (hereinafter referred to as revenue) earned from operation of the combined waterworks and gas system (the System) are pledged to secure payment of principal and interest of the Revenue Bond. Pursuant to the terms of the indenture, the

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2006

revenue from the System is to be deposited into a separate "Water and Gas Revenue Fund" (the Revenue Fund) bank account. Disbursements from the Revenue Fund are prioritized as follows:

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

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

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

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2006

Under the terms of the Revenue Promissory Note Agreement dated August 12, 1997, income and revenues from the operation of the sewerage system after payments required by the outstanding Sewerage Revenue Promissory Note dated April 6, 1976 (the "Prior Lien Bonds") are to be set aside as follows:

1. There shall be set aside into a "1998 Water Tower Sinking Fund FHA" monthly amounts equal to one-twelfth (1/12th) of the total amount of principal and interest becoming due on the next payment date;
2. There shall be set aside into a "1998 Water Tower Reserve Fund FHA" monthly amounts at least \$120 a month must be paid into the "1998 Water Tower Reserve Fund FHA". The payments are to continue until such time as there has been accumulated a sum equal to the highest combined principal and interest falling due in any year; and,
3. Funds will also be set aside at the rate of \$128 per month from the Sewerage Revenue Fund into a "1998 Water Tower Contingency Fund FHA" to provide for depreciation, extensions, additions and replacements necessary to properly operate the sewerage system.

Under the terms of the \$80,000 Fire Equipment Certificates of Indebtedness, Series 1999 dated February 8, 2000, excess revenues over statutory, necessary and usual charges are to be set aside as follows:

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

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2006

Restricted Assets were composed of the following as of June 30, 2006:

	<u>Cash and Cash Equivalents</u>
<u>General Fund</u>	
\$80,000 Certificate of Indebtness	
Bond and Interest Redemption Fund	\$ 6,590
Total - General Fund	<u>6,590</u>
 <u>Utility Fund</u>	
1976 Water and Gas Revenue Bonds	
Bond and Interest Redemption Fund	38,600
Bond Reserve Fund	10,042
Depreciation and Contingency Fund	31,168
 1988 Sewer Revenue Bonds	
Bond and Interest Redemption Fund	7,015
Bond Reserve Fund	4,297
Depreciation and Contingency Fund	5,309
 1998 Water Revenue Bonds	
Bond and Interest Redemption Fund	5,224
Bond Reserve Fund	13,548
Depreciation and Contingency Fund	14,305
Total - Utility Fund	<u>129,508</u>
 Total	 \$ <u>136,098</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2006

Note 5 - Changes in Capital Assets

The following schedule presents changes in capital assets for the year ended 6/30/2006:

	<u>Balance</u> <u>6/30/2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2006</u>
Governmental Activities:				
Depreciable assets:				
Building	\$ 21,000	\$ -	\$ -	\$ 21,000
Vehicles	322,723	-	(40,000)	282,723
Furniture and equipment	175,042	-	-	175,042
Streets and drainage	-	492,185	-	492,185
Total depreciable assets	<u>518,765</u>	<u>492,185</u>	<u>(40,000)</u>	<u>970,950</u>
Less accumulated depreciation	<u>(308,209)</u>	<u>(64,300)</u>	<u>40,000</u>	<u>(332,509)</u>
Total depreciable assets, net	<u>210,556</u>	<u>427,885</u>	<u>-</u>	<u>638,441</u>
Construction in progress	<u>108,151</u>	<u>384,034</u>	<u>(492,185)</u>	<u>-</u>
Net governmental activities capital assets	<u>\$ 318,707</u>	<u>\$ 811,919</u>	<u>\$ (492,185)</u>	<u>\$ 638,441</u>
Business-type activities:				
Nondepreciable assets:				
Land	\$ 19,650	\$ -	\$ -	\$ 19,650
Depreciable assets:				
Water system	2,033,380	-	(58,732)	1,974,648
Gas system	1,328,027	-	-	1,328,027
Sewer system	3,370,449	-	-	3,370,449
Pipeline	9,428	-	-	9,428
Service equipment	134,681	10,130	(47,478)	97,333
Office equipment	4,560	-	(3,010)	1,550
Total depreciable assets	<u>6,880,525</u>	<u>10,130</u>	<u>(109,220)</u>	<u>6,781,435</u>
Less accumulated depreciation	<u>(2,060,029)</u>	<u>(137,311)</u>	<u>76,623</u>	<u>(2,120,717)</u>
Net business-type capital assets	<u>\$ 4,840,146</u>	<u>\$ (127,181)</u>	<u>\$ (32,597)</u>	<u>\$ 4,680,368</u>

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

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2006

Depreciation of \$137,311 as of June 30, 2006 was charged to expense in the utility fund. Depreciation was charged to governmental activities as follows: General Government, \$1,212; Public Safety, \$23,252; Public Works, \$23,430; and Streets and Drainage, \$16,407.

Note 6 - Investment in Jointly Owned Gas Line

The Towns of Newellton and St. Joseph, Louisiana have entered into a joint venture, 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. The Boards of Aldermen and the Mayors of the two towns govern the Joint Gas Line. Each of the Towns own 50% of the net worth of the joint venture. This amount is shown as an asset called Investment in Jointly Owned Gas Line. (See Note 13)

Summary financial information for the joint venture at June 30, 2006 and for the year then ended, is as follows:

Total assets	\$ 482,746
Total liabilities	<u>(14,611)</u>
Total fund equity	<u>\$ 468,135</u>
Total revenues	\$ 724,978
Total cost of sales	<u>(654,493)</u>
Gross profit	70,485
Operating expenses	(34,496)
Nonoperating revenue	<u>10,314</u>
Net income	<u>\$ 46,303</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2006

Note 7 - Long-Term Debt

The following is a summary of long term-debt transactions of the Town for the year ended June 30, 2006:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>General Obligation Revenue Notes</u>	<u>Capital Lease</u>	<u>Revenue Bonds</u>	<u>Total</u>
Balance at Beginning of Year	\$ 61,552	\$ 8,128	\$ 1,055,517	\$ 1,125,197
Additions	-	-	-	-
Retirements	<u>(12,229)</u>	<u>(8,128)</u>	<u>(74,971)</u>	<u>(95,328)</u>
Balance end of year	<u>\$ 49,323</u>	<u>\$ -</u>	<u>\$ 980,546</u>	<u>\$ 1,029,869</u>

Bonds payable at June 30, 2006 are comprised of the following individual issues:

Governmental Activities:

General Obligation Note and Revenue Note:

\$80,000 Certificate of Indebtness, Series 1999, to finance the purchase of a fire truck and equipment. Payments are made monthly at an interest rate of 4.5%. Matures on February 8, 2010.	\$ 33,228
\$21,000 Revenue Note to finance the purchase of town hall building. Payments are made mothly at an interest rate of 4.0%. Matures March 10, 2010.	<u>16,095</u>
Total General Obligation Notes and Revenue Notes	<u>\$ 49,323</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2006

Business-Type Activities:

Revenue Bonds:

\$550,000 Revenue bonds dated April 6, 1976; due in annual installments of \$29,250 - \$34,350 through April 6, 2016; interest at 5%.	\$ 245,000
\$100,000 Revenue bonds dated April 6, 1976; due in annual installments of \$4,400 - \$6,000, through April 6, 2016; interest at 5%.	40,000
\$315,000 Sewer Revenue bonds dated March 23, 1988; due in annual installments of \$18,512 through May 12, 2028; interest at 5%.	236,311
\$506,000 Water Revenue bonds dated April 24, 1998; due in monthly installments of \$2,398.44 through December 2038; interest at 4.875%	459,234
Total Revenue Bonds - Utilities Enterprise Fund	\$ <u>980,545</u>

Maturities of long-term obligations of the Town including interest of \$670,673 are as follows:

Fiscal Year Ended June 30,	Governmental Activities	Business Type Activities	Total
2007	14,616	86,389	101,005
2008	15,004	85,139	100,143
2009	14,616	83,889	98,505
2010	9,155	82,639	91,794
2011	-	81,389	81,389
2012-2016	-	411,445	411,445
2017-2021	-	235,695	235,695
2022-2026	-	235,695	235,695
2027-2031	-	168,893	168,893
2032-2036	-	143,906	143,906
2037-2038	-	32,072	32,072
	\$ 53,391	\$ 1,647,151	\$ 1,700,542

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2006

For the fiscal year ended June 30, 2006, the amount of interest charged to expense on general obligations bonds was \$2,648 the amount on revenue bonds was \$49,841.

Note 8 - Interfund Receivables and Payables

Individual fund interfund receivables and payables at June 30, 2006 are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 17,485	\$ -
Utility Enterprise Fund	-	17,485
TOTAL	\$ 17,485	\$ 17,485

These balances resulted from the time lag between dates (1) interfund goods and services are provided or reimbursable expenses occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made.

Note 9 - Interfund Transfers

Individual fund transfers in and out at June 30, 2006 are as follows:

	Operating Transfers	
	In	Out
General Fund	\$ 72,078	\$ 996
Enterprise Fund	-	72,078
Debt Service Fund	3,112	2,116
Total	\$ 75,190	\$ 75,190

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) move restricted receipts to debt service funds from the funds collecting the receipts to the debt service funds as payments become due and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

In the year ended June 30, 2006, the Town made transfers of \$72,078 from the Utility Fund to the General Fund to cover the cash short fall in the General Fund.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2006

Note 10 - Ad Valorem Taxes

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

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

The ad valorem tax millage is as follows:

	<u>Mills</u>
General Ad Valorem Tax	16.16

Note 11 - On Behalf Payments

Certain employees in the Newellton Police Department receive supplemental pay from the State of Louisiana. In accordance with GASB Statement No. 24, the Town has recorded revenue and expense for the payment. Revenues received and expenditures made under this arrangement totaled \$3,600 for the year ended June 30, 2006.

Note 12 - Pension and Retirement Plans

Municipal Employees' Retirement System of Louisiana (MERS)

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

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

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2006

Funding Policy. Contributions to the system include one-fourth of one per cent of the taxes shown to be collectible by the tax rolls of the parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of members on which contributions were made for the previous fiscal year. State statute requires covered employees to contribute a percentage of their salaries to the system; As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the MERS for the years ended June 30, 2006, 2005 and 2004 were \$29,401, \$28,741, and \$19,280; respectively, equal to the statutorily required contributions for each year.

The MERS issues an annual, publicly-available financial report that includes financial statements and required supplementary information for the retirement system. The report may be obtained by writing the Municipal Employees' Retirement System, 6750 Van Gogh, Baton Rouge, LA 70806 or by calling (225) 925-4810

Note 13 - Related Party Transactions

The Town jointly operates with the Town of St. Joseph, Louisiana that portion of the gas transmission line from Lake St. John Field to the Town of Newellton. The Town purchases gas from the jointly owned transmission line to be resold to its citizens. For 2006 the Town purchased \$309,629 of natural gas from the jointly owned gas line. As of June 30, 2006 the Town owed \$11,403 for natural gas delivered to the Town for the month of June.

Note 14 - Risk Financing Activities

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

**TOWN OF NEWELLTON
Newellton, Louisiana**

**Notes To Financial Statements
As Of And For The Year Ended June 30, 2006**

Note 15 - Commitments

The Town entered into a contract with Temple Management Services, Inc. in 1995 to clean and maintain the sewer oxidation pond belonging to the Town. Under this contract the Town agrees to pay \$1,800 a month for the service provided. The contract automatically renews every twelve months unless either the contractor or the Town notifies the other party in writing 30 days prior to the renewal. Maintenance expenses for the year ended June 30, 2006 were \$21,600.

**REQUIRED SUPPLEMENTARY INFORMATION
(PART B)**

TOWN OF NEWELLTON
Newellton, Louisiana

General Fund
Budgetary Comparison Schedule (GAAP Basis)

Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Budgetary fund balance at beginning of year	\$ 37,018	\$ 61,410	\$ 61,410	\$ -
Resources (inflows)				
Ad valorem taxes	58,800	62,000	61,709	(291)
Sales and other taxes	64,000	55,000	61,324	6,324
Charges for services	84,000	75,000	79,620	4,620
License and permits:				
Franchise revenue	30,500	27,000	27,251	251
Occupational & other licenses	35,000	33,000	38,450	5,450
Intergovernmental revenue	70,600	52,450	56,167	3,717
Fines and forfeitures	-	23,000	26,784	3,784
Interest income	400	700	1,121	421
Miscellaneous	1,000	3,500	6,034	2,534
Total revenues	<u>344,300</u>	<u>331,650</u>	<u>358,460</u>	<u>26,810</u>
Transfers in	34,000	43,228	74,194	30,966
Amounts available for appropriations	<u>415,318</u>	<u>436,288</u>	<u>494,064</u>	<u>57,776</u>
Charges to appropriations (outflows)				
Current:				
General government	141,920	128,620	147,530	18,910
Public safety:				
Police department	88,875	84,930	89,377	4,447
Fire department	3,120	3,000	2,332	(668)
Public works	137,000	132,500	116,305	(16,195)
Culture and recreation	-	-	2,452	2,452
Capital outlay	-	4,000	-	(4,000)
Debt service	13,220	400	13,241	12,841
Total charges	<u>384,135</u>	<u>353,450</u>	<u>371,237</u>	<u>17,787</u>
Transfers out	15,000	15,413	996	14,417
Total charges to appropriations	<u>399,135</u>	<u>368,863</u>	<u>372,233</u>	<u>(3,370)</u>
Budgetary fund balance at end of year	\$ <u>16,183</u>	\$ <u>67,425</u>	\$ <u>121,831</u>	\$ <u>54,406</u>

OTHER SUPPLEMENTAL INFORMATION

TOWN OF NEWELLTON
Newellton, Louisiana
Nonmajor Governmental Funds
Combining Balance Sheet
As of June 30, 2006

	Special Revenue Fund	Debt Service Funds		Total Nonmajor Governmental Funds
	Downtown Revitalization	Fire Department	Street Project	
ASSETS				
Cash and cash equivalents	\$ 14,713	\$ -	\$ -	\$ 14,713
Restricted assets:				
Cash	<u>-</u>	<u>6,590</u>	<u>-</u>	<u>6,590</u>
TOTAL ASSETS	\$ <u>14,713</u>	\$ <u>6,590</u>	\$ <u>-</u>	\$ <u>21,303</u>
 LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Fund balance				
Reserved for:				
Debt service	-	6,590	-	6,590
Unreserved/undesignated	<u>14,713</u>	<u>-</u>	<u>-</u>	<u>14,713</u>
Total fund balance	<u>14,713</u>	<u>6,590</u>	<u>-</u>	<u>21,303</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>14,713</u>	\$ <u>6,590</u>	\$ <u>-</u>	\$ <u>21,303</u>

TOWN OF NEWELLTON
Newellton, Louisiana
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2006

	<u>Special Revenue Fund</u>	<u>Debt Service Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Downtown Revitalization</u>	<u>Fire Department</u>	<u>Street Project</u>	
REVENUES				
Intergovernmental:				
Local	\$ -	\$ 9,955	\$ -	\$ 9,955
Interest income	73	53	173	299
Total revenues	<u>73</u>	<u>10,008</u>	<u>173</u>	<u>10,254</u>
EXPENDITURES				
Retirement of principal	-	8,283	-	8,283
Interest and fiscal charges	-	1,672	-	1,672
Total expenditures	<u>-</u>	<u>9,955</u>	<u>-</u>	<u>9,955</u>
EXCESS OF REVENUES OVER EXPENDITURES	73	53	173	299
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	996	-	996
Operating transfers out	-	-	(2,116)	(2,116)
	<u>-</u>	<u>996</u>	<u>(2,116)</u>	<u>(1,120)</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES	73	1,049	(1,943)	(821)
FUND BALANCE, beginning of year	<u>14,640</u>	<u>5,541</u>	<u>1,943</u>	<u>22,124</u>
FUND BALANCE END OF YEAR	<u>\$ 14,713</u>	<u>\$ 6,590</u>	<u>\$ -</u>	<u>\$ 21,303</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Schedules of Net Assets - Utility Enterprise Fund
June 30, 2006 and 2005

	2006	2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 137,023	\$ 25,167
Accounts receivable - net	96,063	102,655
Prepaid expenses	7,971	13,536
Total current assets	241,057	141,358
Restricted assets:		
Cash and cash equivalents	129,508	121,535
Investments	-	62,705
Total restricted assets	129,508	184,240
Capital assets:		
Non-depreciable	19,650	19,650
Depreciable	6,781,435	6,880,525
Total capital assets	6,801,085	6,900,175
Accumulated depreciation	(2,120,717)	(2,060,029)
Net capital assets	4,680,368	4,840,146
Other assets:		
Investment in jointly owned gas operations and maintenance fund	234,067	210,916
Total assets	\$ 5,285,000	\$ 5,376,660
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 22,159	\$ 56,486
Due to other funds	17,485	20,322
Total current liabilities	39,644	76,808
Liabilities payable from restricted assets:		
Accrued interest payable	6,009	7,343
Customer deposits	76,100	68,760
Current portion of revenue bonds payable	37,901	38,910
Total restricted liabilities	120,010	115,013
Noncurrent liabilities:		
Revenue bonds payable	942,644	1,016,607
Total noncurrent liabilities	942,644	1,016,607
Total liabilities	1,102,298	1,208,428
Net assets:		
Invested in capital assets, net of related debt	3,699,823	3,434,436
Restricted:		
Debt service	72,718	37,312
Depreciation and contingency	50,781	100,674
Unrestricted	359,380	595,810
Total net assets	4,182,702	4,168,232
Total liabilities and net assets	\$ 5,285,000	\$ 5,376,660

TOWN OF NEWELLTON
Newellton, Louisiana

**Schedules of Revenues, Expenses, and Changes in
Net Assets - Utility Enterprise Fund
For The Year Ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Operating revenues:		
Water sales	\$ 266,375	\$ 203,004
Gas sales	479,901	357,220
Sewerage fees	206,601	151,018
Plumbing fees	4,234	4,495
Penalties	12,734	14,101
Other operating revenues	5,409	1,239
Total operating revenues	<u>975,254</u>	<u>731,077</u>
Operating expenses:		
Bad debts	13,159	1,310
Depreciation	137,310	133,817
Dues and subscriptions	1,003	967
Engineering	7,940	2,166
Equipment	9,028	15,465
Gas purchases	309,629	257,426
Insurance - general	50,213	43,503
Legal and audit	15,043	12,617
Meter reader	-	1,458
Miscellaneous expenses	4,506	2,902
Office rent	-	865
Office supplies	6,294	6,982
Postage	2,855	1,797
Salaries and related benefits	100,336	99,686
Supplies-plant	3,078	2,357
Supplies and expenses-gas	8,458	3,762
Supplies and expenses-sewer	46,532	67,519
Supplies and expenses-water	60,054	47,141
Telephone	7,178	5,727
Travel and meetings	4,214	2,304
Utilities	57,843	53,434
Total operating expenses	<u>844,673</u>	<u>763,205</u>
Operating profit (loss)	130,581	(32,128)
Nonoperating revenues (expenses):		
Grants	10,000	52,500
Interest earnings	5,002	2,743
Gain (loss) on disposition of assets	(32,345)	6,137
Income from jointly owned gas operations and maintenance fund	23,151	51,516
Interest expense	(49,841)	(53,674)
Total nonoperating revenue (expense)	<u>(44,033)</u>	<u>59,222</u>
Income before operating transfers	86,548	27,094
Operating transfers:		
Transfers out	(72,078)	(53,041)
Net transfers	<u>(72,078)</u>	<u>(53,041)</u>
Net income (loss)	14,470	(25,947)
Net assets beginning of year	<u>4,168,232</u>	<u>4,194,179</u>
Net assets end of year	<u>\$ 4,182,702</u>	<u>\$ 4,168,232</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Schedules of Cash Flows - Utility Enterprise Fund
For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities		
Cash received from customers	\$ 1,017,766	\$ 792,894
Cash paid for employee services	(100,337)	(99,686)
Cash payments to suppliers for goods and services	(622,629)	(531,531)
Net cash provided by operating activities	<u>294,800</u>	<u>161,677</u>
Cash flows from noncapital financing activities:		
Transfers to general fund	(116,654)	(120,475)
Net cash used in noncapital financing activities	<u>(116,654)</u>	<u>(120,475)</u>
Cash flows from capital and related financing activities		
Grant received for acquisition of capital assets	10,000	52,500
Acquisition of capital assets	(10,130)	(65,340)
Proceeds from sale of capital assets	253	9,100
Principal paid on debt	(74,972)	(47,500)
Interest paid on debt	(51,175)	(54,271)
Net cash used for financing activities	<u>(126,024)</u>	<u>(105,511)</u>
Cash flows from investing activities		
Interest received on investments	5,002	2,743
Maturity of short-term investments	62,705	-
Purchase of short-term investments	-	(1,667)
Distribution from jointly owned gas line	-	12,500
Net cash provided by investing activities	<u>67,707</u>	<u>13,576</u>
Net increase (decrease) in cash and cash equivalents	119,829	(50,733)
Cash and cash equivalents, beginning of year	<u>146,702</u>	<u>197,435</u>
Cash and cash equivalents, end of year	<u>\$ 266,531</u>	<u>\$ 146,702</u>
Shown on the accompanying balance sheet as		
Cash	\$ 137,023	\$ 25,167
Restricted assets:		
Cash	<u>129,508</u>	<u>121,535</u>
Total	<u>\$ 266,531</u>	<u>\$ 146,702</u>

(Continued)

TOWN OF NEWELLTON
Newellton, Louisiana

Schedules of Cash Flows - Utility Enterprise Fund (Concluded)
For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 130,581	\$ (32,128)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	137,311	133,817
Loss on disposal	32,598	-
Bad debts	13,159	1,310
Change in assets and liabilities		
Accounts receivable	5,411	(11,818)
Prepaid expenses	5,565	(12,057)
Accounts payable and accrued liabilities	(34,327)	8,918
Due to other funds	(2,837)	70,185
Customer deposits	7,340	3,450
Net cash provided by operating activities	<u>\$ 294,801</u>	<u>\$ 161,677</u>
Supplemental disclosure of noncash capital investing and financing activities:		
Increase in the investment in the jointly owned gas operations and maintenance fund	<u>23,151</u>	<u>39,016</u>
Total noncash capital investing and financing activities	<u>\$ 23,151</u>	<u>\$ 39,016</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Schedule of Changes in Restricted Assets
For the Year Ended June 30, 2006

	<u>Bond and Interest Redemption</u>	<u>Bond Reserve</u>	<u>Depreciation and Contingency</u>	<u>Total</u>
<u>\$200,000 1968 Sewer Revenue Bonds</u>				
<u>\$83,000 1973 Sewer Revenue Bonds</u>				
<u>\$30,000 1974 Water Distribution G.O. bonds</u>				
Balance - July 1, 2005	\$ 13,534	\$ 7,500	\$ 55,514	\$ 76,548
Add:				
Transfers from operating account	10,500	-	420	10,920
Interest earned	102	-	1,133	1,235
Total funds available	<u>24,136</u>	<u>7,500</u>	<u>57,067</u>	<u>88,703</u>
Less:				
Payments on principal and interest	(16,948)	-	-	(16,948)
Transfers to unrestricted funds	<u>(7,188)</u>	<u>(7,500)</u>	<u>(57,067)</u>	<u>(71,755)</u>
Balance - June 30, 2006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$500,000 1976 Water and Gas Revenue Bonds</u>				
<u>\$100,000 1976 Water and Gas Revenue Bonds</u>				
Balance - July 1, 2005	\$ 31,215	\$ 8,012	\$ 28,564	67,791
Add:				
Transfers from operating	42,250	1,950	2,340	46,540
Interest earned	385	80	264	729
Total funds available	<u>73,850</u>	<u>10,042</u>	<u>31,168</u>	<u>115,060</u>
Less:				
Principal and interest	<u>(35,250)</u>	<u>-</u>	<u>-</u>	<u>(35,250)</u>
Balance - June 30, 2006	<u>\$ 38,600</u>	<u>\$ 10,042</u>	<u>\$ 31,168</u>	<u>\$ 79,810</u>
<u>\$315,000 1988 Sewer Revenue Bonds</u>				
Balance - July 1, 2005	\$ 5,374	\$ 3,260	\$ 4,075	12,709
Add:				
Transfers from operating	20,055	1,003	1,196	22,254
Interest earned	98	34	38	170
Total funds available	<u>25,527</u>	<u>4,297</u>	<u>5,309</u>	<u>35,133</u>
Less:				
Principal and interest	<u>(18,512)</u>	<u>-</u>	<u>-</u>	<u>(18,512)</u>
Balance - June 30, 2006	<u>\$ 7,015</u>	<u>\$ 4,297</u>	<u>\$ 5,309</u>	<u>\$ 16,621</u>

(Continued)

TOWN OF NEWELLTON
Newellton, Louisiana

Schedule of Changes in Restricted Assets (Concluded)
For the Year Ended June 30, 2006

	<u>Bond and Interest Redemption</u>	<u>Bond Reserve</u>	<u>Depreciation and Contingency</u>	<u>Total</u>
<u>\$506,000 1997 Water Revenue Bonds</u>				
Balance - July 1, 2005	\$ 2,795	\$ 11,875	\$ 12,522	\$ 27,192
Add:				
Transfers from operating	28,781	1,560	1,664	32,005
Interest earned	31	113	119	263
Total funds available	31,607	13,548	14,305	59,460
Less:				
Principal and interest	(26,383)	-	-	(26,383)
Balance - June 30, 2006	\$ 5,224	\$ 13,548	\$ 14,305	\$ 33,077
<u>\$130,000 Streets Certificate of Indebtness</u>				
Balance - July 1, 2005	\$ 19,443	\$ -	\$ -	\$ 19,443
Add:				
Transfers from operating	5,833	-	-	5,833
Interest earned	43	-	-	43
Total funds available	25,319	-	-	25,319
Less:				
Transfers to operating	(25,319)	-	-	(25,319)
Balance - June 30, 2006	\$ -	\$ -	\$ -	\$ -
<u>\$80,000 Fire Equipment Certificates of Indebtness</u>				
Balance - July 1, 2005	\$ 5,541	\$ -	\$ -	\$ 5,541
Add:				
Transfers from operating	913	-	-	913
Intergovernmental revenue - local	9,955	-	-	9,955
Interest earned	136	-	-	136
Total funds available	16,545	-	-	16,545
Less:				
Principal and interest	(9,955)	-	-	(9,955)
Balance - June 30, 2006	\$ 6,590	\$ -	\$ -	\$ 6,590

**TOWN OF NEWELLTON, LOUISIANA
COMPENSATION PAID ALDERMEN
FOR THE YEAR ENDED JUNE 30, 2006**

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

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

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS



Francis I. Huffman, CPA
L. Fred Monroe, CPA
Esther Atteberry, CPA

John L. Luffey, MBA, CPA (1963-2002)

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

**Town of Newellton
Newellton, Louisiana**

We have audited the financial statements of the Town of Newellton, Louisiana (the Town) as of and for the year ended June 30, 2006, and have issued our report thereon dated December 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor.

Compliance

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

Internal Control over Financial Reporting

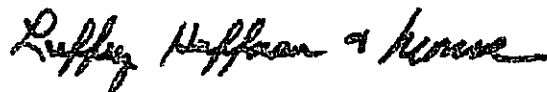
In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design operation of the internal control over financial reporting that could adversely affect the Town's ability to record, process,

**Town of Newellton
Newellton, Louisiana**

summarize, and report financial data consistent with the assertions of the management in the financial statements. The reportable conditions are reported in the Schedule of Findings as item 06-01 and 06-02.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. However we consider items 06-01 and 06-02 to be material weaknesses.

This report is intended for the information of management of the Town, Federal and State awarding agencies and other entities granting funds to the Town and the Legislative Auditor for the state of Louisiana and is not intended to be used and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



(A Professional Accounting Corporation)

December 8, 2006

TOWN OF NEWELLTON

Newellton, Louisiana

Schedule of Findings

June 30, 2006

06-01 Utility Fund Billings and Collections Procedures

Finding:

During the course of the audit, we noted that receivables in the Utility Fund continued to show an increase. Receivables increased 16.6% from \$104,788 at June 30, 2005 to \$125,700 at June 30, 2006. However, the allowance for bad debts increased by 43% from \$17,341 at June 30, 2005 to \$30,500 at June 30, 2006.

There are several reasons for this increase which are all interrelated. On September 22, 2004, the Town Council moved the disconnect date for nonpayment of utility bills from the 20th to the 25th. In doing so, the Town has created a scenario where a customer can be up to two and a third months behind before being disconnected. For example, the billing for the period ending January 15th is mailed around January 31st. If the customer does not pay this January 15th billing, he will be disconnected on February 25th. By this time, the customer has already used another full month of utilities and is 10 days into the next billing cycle. During the winter months, it would not be unusual for an accumulation of over two months billing to total \$500 to \$800. Some of this balance can be collected through the forfeiture of the customer's deposit. Unfortunately, it is rare for the deposit to cover one month, let alone the two and a third months. Additionally, an ethically challenged customer, given the choice between forfeiting a \$300 deposit (split evenly between water and gas) and paying a billing of at least double that amount, will sometimes elect to forfeit the deposit and open another account with the Town using someone else's name.

Another problem the Town has encountered is its inability to enforce the termination of services for failure by the customer to pay for his utility bill. Due to their not being any locking mechanism on the meters, a customer can turn the utilities back on after the Town employee has left the property. This activity causes the customer's account to continue to increase with little ramifications from the Town.

Recommendation:

All bills should be mailed by the 25th of the month. The Town should also consider changing its disconnect date. A more reasonable date would be to make the utility bills due by the 10th of the month with penalties accruing on the 11th to the 14th and a disconnect fee on the 15th along with the termination of services. This disconnection of services would be done at the same time all Town meters are read and would give the Town the final reading on the delinquent account. There should be no abatement of penalties or the disconnect fee unless the Town has made a mistake. The disconnect fee should be assessed when the meter is turned off.

TOWN OF NEWELLTON

Newellton, Louisiana

Schedule of Findings

June 30, 2006

If a check is given by a customer that is returned due to insufficient funds (NSF), the customer should be charged the NSF fee and if restitution occurs past the 10th and/or the 15th, all such previously mentioned penalties and fees should be applied as well as the NSF fee. Additionally, if a customer is cutoff for nonpayment, the customer should be required to set up a new deposit for the deposit amount in effect at that time and not the preexisting amount.

The Town should consider purchasing locks for the utility and gas meters. When a customer's water or gas is turned off, then the meter should be locked. If the lock is compromised, then the customer should be held responsible for replacing the lock and for the \$100 payment for tampering with a meter. It should be noted that if both meters are tampered with, the penalty applies to each meter. Any customer whose utilities are disconnected is responsible for his meter being turned back on. A statement by the customer alleging that he does not know who tampered with the lock and turned his meter back on is irrelevant since he is responsible for his property.

For delinquent accounts, the Town should consider filing suit if the receivable is above \$200 or some other reasonable amount as determined by the Council.

The only viable alternative to moving the billing and receivable time line is to increase the deposit to an amount sufficient to cover two and a half months of operations. However, this option would create an undue hardship on anyone moving into the Town and should only be exercised as a last resort.

As far as a customer forfeiting the deposit and reopening an account in someone else's name, the Town is aware of this practice occurring. If a balance is due on a location where a new customer is establishing service, the Town should consult with its attorney and determine the feasibility of requiring the new customer to sign a document stating "I affirm that the customer previously residing at the stated address (list the address at the top of the page along with the name of the new customer) is no longer living at this address. Should it be determined that the previous customer is still living at the same address, then the previous customer's bill will be added onto my account along with any associated penalties and interest that normally accrue." The previous customer's name must not appear on the statement for confidentiality purposes.

The Town should inform all of its customers of not only the change in due dates, disconnect dates, etc, but also of the penalties that will be applied. The Town should credit a customer's account for payment of the customer's bill or for penalty and/or interest that was charged in error. The Town should not credit a customer's account if the customer has failed to meet his obligations. Only in rare instances should a customer be granted an extension of time to pay. Such extensions (no termination of services)

TOWN OF NEWELLTON
Newellton, Louisiana

Schedule of Findings
June 30, 2006

should be documented in writing with the customer and the mayor signing the agreement and a copy given to all councilmen.

It is understood that the Town will always have some accounts that will be uncollectible. However, once it is perceived by the community that the Town does not take appropriate action in pursuing delinquent accounts, more customers will be inclined to take advantage of these situations and bad debts will continue to increase.

Management's Corrective Action Plan:

The Mayor and the Board of Aldermen have recommended a change in mailing dates for the Town of Newellton Utility bills. Bills will be mailed out on the 25th of each month which will result in the changing of the disconnect date from the 25th to the 15th of each month. Therefore bills should be paid by the 10th of the month without a penalty. If not paid by the 10th of each month a 10% penalty will result with the disconnect date on the 15th of the month and meters will be locked off at that time. Disconnection will be done at the same time all Town meters are read and would give the Town a final reading on the delinquent account. There is also a reconnect fee liable if the customer has been disconnected.

If NSF's are issued, the customer will be responsible for the NSF fee and if restitution occurs past the 15th all fees and penalties will be applied.

Tampering fees will be instituted, which is a \$100.00 fine and has to be paid before services are reconnected.

The Mayor and the Board will consult with the Town's attorney for persons reopening accounts in someone else name rather than the occupant of the household. The Town will inform all of its customers of changes of due dates, disconnect dates, etc. The Town will credit a customer's account for payments of the customers' bill or for penalty and/or interest that was charged in error.

The Town is currently changing old water meters with new meters that can be locked. This will be a slow process.

TOWN OF NEWELLTON
Newellton, Louisiana

Schedule of Findings
June 30, 2006

06-02 Reconciliation of Subsidiary and General Ledgers

Finding:

During the course of the audit of the financial statements of the Town of Newellton, we noted that the Town did not have customer deposits reconciled between the Continental subsidiary ledger (\$70,205) and the Quickbooks general ledger (\$81,970 before adjustment). The balances for these two systems should agree at all times. There is also a manual card system that totals \$64,880. It was discovered by Town personnel that some deposits on the subsidiary system had been cleared out during a software maintenance process.

Recommendation:

We recommend that the Town work with its independent consultant on getting the subsidiary ledger and the general ledger to agree. Possibly the best approach is to list all customers on a spreadsheet and list the balances per the card system and per the subsidiary ledger. Comparisons to the general ledger deposits can also be made, but will be limited to the number of years of deposits that are on site or can be reasonably obtained. Any differences can be investigated as to a final resolution. We also recommend that the memo section in Quickbooks be used to reflect the name of the person being refunded or paying.

Additionally, we recommend that the Town continue working with its independent consultant in the area of utility receivables. This critical area is of utmost importance in maintaining a correct balance between the subsidiary and general ledgers.

Management's Corrective Action:

The Town will continue working with the independent consultant to check records quarterly.

**Town of Newellton
Newellton, Louisiana**

Summary Status of Prior Year Findings

The following is a summary of the status of the findings included in the Schedule of Findings and Questioned Cost and Management Letter dated October 19, 2005, issued in connection with our examination of the financial statements of the Town of Newellton, Louisiana as of and for the year ended June 30, 2005.

Schedule of Findings and Questioned Costs

05-01 CONDITION OF THE ACCOUNTING RECORDS

Finding:

In performing our audit of the financial statements of the Town of Newellton (the Town), we determined the Town could not produce financial statements and reports in an accurate and timely manner, both for purposes of external financial reporting and internal decision making.

Status:

As stated in Finding 06-02, some work can still be done to improve the accuracy of records, especially in the Utility Fund.

05-02 CAPITAL PROJECT FUND

Finding:

The Town did not take steps to insure that the matching funds for capital projects are recorded in the proper fund either as loans or transfers.

Status:

This situation did not arise in the current fiscal year.

05-03 TRAVEL

Finding:

It has been the Town of Newellton's policy to reimburse its employees for out of pocket expenses for out of town travel. However, the Town has been reimbursing the Mayor for in town travel and/or has been providing him with gasoline which also covers his in town travel. There is no written policy that defines what should be reimbursed by the Town. During the year ended June 30, 2005, the Mayor received \$1,131 in either gasoline provided by the Town or mileage reimbursement for in town travel.

**Town of Newellton
Newellton, Louisiana**

Summary Status of Prior Year Findings

The Town does not provide transportation for the Mayor which results in wear and tear on his own private automobile. When travel is involved all receipts for lodging and eating are placed in the files for accurate records. The Town will design a travel policy and a form that will meet the criteria for an accountable plan, which will be presented to the Board of Aldermen for their approval.

Status:

This situation was resolved in fiscal year 2006.