

TOWN OF NEWELLTON, LOUISIANA**Financial Report
As of and For the Year Ended June 30, 2011**

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 FEB 08 2012

TOWN OF NEWELLTON, LOUISIANA

**Financial Report
As Of and For The Year Ended June 30, 2010**

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TOWN OF NEWELLTON, LOUISIANA
Financial Report
As Of and For The Year Ended June 30, 2010

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LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of the Town of Newellton, Louisiana (the Town) as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the Town as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof 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 January 5, 2012, 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 agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 10 and page 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, is presented for purposes of additional analysis and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Luffey Huffman, Reynolds, & Simpson

(A Professional Accounting Corporation)

January 5, 2012

**REQUIRED SUPPLEMENTAL INFORMATION
(PART A)**

Town of Newellton
Management's Discussion and Analysis (MD&A)
June 30, 2011

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, 2011. 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 \$5,459,793 (net assets).
 - ✓ Of this amount \$4,674,909 represented a restriction equal to the net amount invested in land, building, and equipment and \$157,744 restricted for debt service and depreciation and contingencies.
 - ✓ The remainder of \$627,140 of unrestricted net assets could be used by the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets decreased by \$113,665:
- As of the close of the current fiscal year, the Town of Newellton's governmental funds reported combined ending fund balances of \$98,901, a decrease of \$2,137 in comparison with the prior year. Of this total amount, \$77,413 is available for spending at the government's discretion (*unreserved fund balance*).
- The Town of Newellton's total debt decreased by approximately \$466,025 during the current fiscal year with \$432,869 of that amount being used to payoff the 1997 bond issue.
- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented for the fiscal year ended June 30, 2011. The purpose of this change in reporting fund balances is to help management and citizens to better understand the constraints placed on its resources by providing a more structure classification of fund balances.

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 2 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 the Downtown Revitalization Fund which are classified as major funds. Due to the lack of activity of the Downtown Revitalization Fund, the fund was transferred into the General Fund at the end of fiscal year 2011. The checking account, the sole asset, is shown as a restricted fund balance as required by GASB 54.

The Town of Newellton adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided on page 45 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 governmental fund. The combining schedules 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 \$5,459,793 at June 30, 2011. The combined net assets decreased between fiscal years 2010 and 2011 by approximately \$113,665.

Capital assets consisting of land, buildings, machinery and equipment account for the majority of the Town's net assets of \$5,931,357. Capital assets, net of depreciation and related debt included in Net Assets total \$4,674,909. 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, 2011 and 2010

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 111,330	\$ 119,537	\$ 782,938	\$ 1,196,483	\$ 894,268	\$ 1,316,020
Capital assets	914,464	962,665	4,122,625	4,231,709	5,037,089	5,194,374
Total assets	<u>1,025,794</u>	<u>1,082,202</u>	<u>4,905,563</u>	<u>5,428,192</u>	<u>5,931,357</u>	<u>6,510,394</u>
Current and other liabilities	12,429	18,499	138,718	134,440	151,147	152,939
Long-term liabilities	-	-	320,417	783,997	320,417	783,997
Total liabilities	<u>12,429</u>	<u>18,499</u>	<u>459,135</u>	<u>918,437</u>	<u>471,564</u>	<u>936,936</u>
Net Assets:						
Invested in capital assets, net of related debt:	914,464	962,665	3,760,445	3,402,234	4,674,909	4,364,899
Restricted	15,482	-	142,262	176,998	157,744	176,998
Unrestricted	83,419	101,038	543,721	930,523	627,140	1,031,561
Total net assets	<u>\$ 1,013,365</u>	<u>\$ 1,063,703</u>	<u>\$ 4,446,428</u>	<u>\$ 4,509,755</u>	<u>\$ 5,459,793</u>	<u>\$ 5,573,458</u>

Net assets of the Town's governmental activities decreased 4.7% to approximately \$1.01 million. Net assets of the Town's business-type activities decreased 1.4% to approximately \$4.45 million.

Changes in net assets. The Town's total revenue decreased by approximately \$164,000 to nearly \$1.05 million (see Table 2). Approximately 72% of the Town's revenue comes from charges for services, and 19.0% comes from other general revenues

The total cost of programs and services decreased approximately \$114,000 or 8.9%. The Town's expenses cover all services performed by its office.

Governmental Activities

Revenues for the Town's governmental activities increased 10.9% which is largely attributable to an increase in capital grants and contributions of approximately \$23,000 and an increase in transfers in of \$51,000. Total expenses decreased by approximately \$17,000 or 4.1%.

Expenses are classified by functions/programs. Public works accounts for approximately 36% or \$191,000, while public safety and general government account for approximately 31% and 33% or \$165,000 and \$172,000, respectively, for the fiscal year 2011.

Table 2
Changes in Net Assets
Fiscal Years Ended June 30, 2011 and 2010

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues						
Program Revenues:						
Charges for services	\$ 76,508	\$ 77,587	\$ 675,553	\$ 820,213	\$ 752,061	\$ 897,800
Operating grants and contributions	49,880	73,789	-	-	49,880	73,789
Capital Grants and contributions	26,275	3,150	21,427	26,041	47,702	29,191
General Revenues:						
Property taxes	58,953	58,895	-	-	58,953	58,895
Sales taxes	40,655	41,442	-	-	40,655	41,442
Other taxes	2,378	2,605	-	-	2,378	2,605
Other general revenues	91,737	93,055	5,597	15,947	97,334	109,002
Transfers	131,000	80,000	(131,000)	(80,000)	-	-
Total revenues	<u>477,386</u>	<u>430,523</u>	<u>571,577</u>	<u>782,201</u>	<u>1,048,963</u>	<u>1,212,724</u>
Expenses:						
General government	171,612	169,641	-	-	171,612	169,641
Public safety	165,303	182,589	-	-	165,303	182,589
Public works	190,809	197,815	-	-	190,809	197,815
Interest on long-term debt	-	505	34,736	42,071	34,736	42,576
Water, sewer, and gas expenses	-	-	600,168	683,691	600,168	683,691
Total expenses	<u>527,724</u>	<u>550,550</u>	<u>634,904</u>	<u>725,762</u>	<u>1,162,628</u>	<u>1,276,312</u>
Increase (decrease) in assets	<u>\$ (50,338)</u>	<u>\$ (120,027)</u>	<u>\$ (63,327)</u>	<u>\$ 56,439</u>	<u>\$ (113,665)</u>	<u>\$ (63,588)</u>

The related program revenues for fiscal year 2011 directly related to these expenses totaled \$152,663, which resulted in net program expense of \$375,061. 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:

- Property tax revenue is the largest general revenue source for the Town of Newellton. It provides approximately \$59,000 of general fund revenue.
- Licenses and permits are a significant source of revenue to the Town, generating approximately \$61,000 of general fund revenue.
- Sales taxes provide approximately \$41,000 in general fund revenue.

Business-type activities

Business-type activities decreased the Town of Newellton's net assets by approximately \$63,000.

Revenues decreased approximately 27% to \$572,000 and expenses of the Town's business-type activities decreased approximately 13% to \$91,000.

Financial Analysis of the Government's Funds

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

The focus of the Town of Newellton's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Newellton's financing requirements. In particular, 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 \$111,330, an increase of \$2,137 in comparison with the prior year. Approximately 78% of this total amount (\$98,901) constitutes unassigned 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 prior to June 30. The original budget for the Town was adopted in July 13, 2010, and the final budget amendment was adopted on May 8, 2011.

Revenues: Overall revenues for the General Fund were projected to increase during FY 2011 by approximately \$74,000 from the previous year. The vast amount of the increase was caused by the expected increase in grant revenues which were projected to increase by \$49,000 from 2010 actual figures. Another \$16,500 increase was projected for sales tax which were \$46,000 in FY2010 and budgeted at 62,500 in the original budget. All other revenues were projected to increase by approximately \$8,500. The final budget reflected budgeted revenues at \$336,380 which closely matched the \$346,380 actual.

Expenditures: General governmental expenditures were projected to also increase by \$50,000. A \$74,000 increase was expected in capital outlay and \$7,000 in general government expenditures. Decreases of \$16,000 in Public Works and \$12,000 in Public Safety were also expected. All other expenses were projected to decrease by \$3,000. The final budget reflected budgeted expenditures at \$523,200 as compared to the \$479,523 actual.

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, 2011, amounts to \$5,037,089 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery, vehicles and equipment (See Table 3). Additions to capital assets for the general fund in current year include \$35,829 for improvements to the Town Hall, Christmas decorations obtained through a state grant and for drainage around Ferrington Road and drainage which was also acquired through a state grant. Also, \$34,995 of service equipment was added to the utility fund during the current fiscal year. In addition, depreciation expense totaled \$228,109.

Table 3 presents capital assets net of depreciation at June 30, 2011.

Table 3
Capital Assets
As of June 30, 2011 and 2010

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 1,000	\$ 1,000	\$ 19,650	\$ 19,650	\$ 20,650	\$ 20,650
Construction in Progress	-	-	-	-	-	-
Buildings	536,726	530,226	-	-	536,726	530,226
Vehicles	324,735	324,735	-	-	324,735	324,735
Furniture and equipment	83,124	162,807	140,621	118,447	223,745	281,254
Water system	-	-	2,579,669	2,579,669	2,579,669	2,579,669
Sewer system	-	-	2,841,473	2,828,652	2,841,473	2,828,652
Gas system	-	-	1,337,455	1,337,455	1,337,455	1,337,455
Streets and drainage	517,493	497,175	-	-	517,493	497,175
Total	1,463,078	1,515,943	6,918,868	6,883,873	8,381,946	8,399,816
Less: accumulated depreciation	(548,614)	(553,278)	(2,796,243)	(2,652,164)	(3,344,857)	(3,205,442)
Total Capital Assets	\$ 914,464	\$ 962,665	\$ 4,122,625	\$ 4,231,709	\$ 5,037,089	\$ 5,194,374

Long-Term Debt. The Town had revenue bonds outstanding of \$358,980 at the end of June 2011 as compared to \$825,005 at the end of June 2010. This \$466,025 decrease includes the \$432,869 payoff of the 1997 bond series. This debt represents bonds secured solely by specified revenue sources such as the Utility Fund revenues.

Economic Factors and Next Year's Budgets and Rates

Factors considered in preparing the Town of Newellton's budget for the 2012 fiscal revealed no major expected changes in the ad valorem tax base or sales tax collections as compared to prior years when such activities caused significant changes between years.

Requests for Information

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

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

TOWN OF NEWELLTON
Newellton, Louisiana

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 85,852	\$ 172,828	\$ 258,680
Investments	-	296,672	296,672
Receivables	10,864	73,788	84,652
Due from other governmental units	8,608	-	8,608
Prepaid expenses	6,006	5,978	11,984
Restricted assets			
Cash	-	142,263	142,263
Capital assets, net	914,464	4,122,625	5,037,089
Investment in jointly owned gas operations and maintenance fund	-	91,409	91,409
Total Assets	<u>1,025,794</u>	<u>4,905,563</u>	<u>5,931,357</u>
Liabilities			
Accounts payable and accrued expenses	6,337	22,785	29,122
Payroll liabilities	3,696	2,422	6,118
Internal balances	2,396	(2,396)	-
Deposits held and customer prepayments	-	74,144	74,144
Accrued interest payable	-	3,199	3,199
Long-term liabilities			
Due within one year	-	38,564	38,564
Due in more than one year	-	320,417	320,417
Total Liabilities	<u>12,429</u>	<u>459,135</u>	<u>471,564</u>
Invested in capital assets, net of related debt	914,464	3,760,445	4,674,909
Restricted for			
Debt service	15,482	87,831	103,313
Depreciation and contingency	-	54,431	54,431
Unrestricted	83,419	543,721	627,140
Total Net Assets	<u>\$ 1,013,365</u>	<u>\$ 4,446,428</u>	<u>\$ 5,459,793</u>

The accompanying notes are an integral part of this statement.

TOWN OF NEWELLTON
Newellton, Louisiana

Statement of Activities

For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 171,612	\$ -	\$ -	\$ -	\$ (171,612)	\$ -	\$ (171,612)
Public safety	165,303	-	11,000	5,000	(149,303)	-	(149,303)
Public works	190,809	76,508	38,880	21,275	(54,146)	-	(54,146)
Interest and fiscal charges on long-term debt	-	-	-	-	-	-	-
Total governmental activities	527,724	76,508	49,880	26,275	(375,061)	-	(375,061)
Business-type activity:							
Utility fund	600,168	675,553	-	21,427	-	96,812	96,812
Interest and fiscal charges on long-term debt	34,736	-	-	-	-	(34,736)	(34,736)
Total business-type activities	634,904	675,553	-	21,427	-	62,076	62,076
Total primary government	\$ 1,162,628	\$ 752,061	\$ 49,880	\$ 47,702	(375,061)	62,076	(312,985)
General revenues:							
Taxes:							
Ad valorem taxes					58,953	-	58,953
Sales taxes					40,655	-	40,655
Other taxes					2,378	-	2,378
Video poker					8,517	-	8,517
Licenses and permits					60,795	-	60,795
Fines and forfeitures					21,893	-	21,893
Interest and investment earnings					246	5,358	5,604
Other					286	-	286
Gain on disposition of assets					-	-	-
Income from jointly owned gas operations and maintenance fund					-	239	239
Transfers in (out)					131,000	(131,000)	-
Total general revenues					324,723	(125,403)	199,320
Change in net assets					(50,338)	(63,327)	(113,665)
Net assets at beginning of year					1,063,703	4,509,755	5,573,458
NET ASSETS AT END OF YEAR					\$ 1,013,365	\$ 4,446,428	\$ 5,459,793

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

TOWN OF NEWELLTON
Newellton, Louisiana
Governmental Funds
Balance Sheet
June 30, 2011

	<u>Major Fund</u>		<u>Special Revenue</u>	<u>Total</u>
	<u>General</u>	<u>Fund</u>	<u>Fund</u>	
	<u>Fund</u>	<u>Downtown</u>	<u>Revitalization</u>	
ASSETS				
Cash and cash equivalents	\$ 85,852	\$ -	\$ -	\$ 85,852
Receivables:				
Sales taxes	5,542	-	-	5,542
Other receivables	5,322	-	-	5,322
Due from other governmental units	8,608	-	-	8,608
Prepaid Expenses	6,006	-	-	6,006
TOTAL ASSETS	<u>\$ 111,330</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,330</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	\$ 6,337	\$ -	\$ -	\$ 6,337
Payroll Liabilities	3,696	-	-	3,696
Due to other funds	2,396	-	-	2,396
Total liabilities	<u>12,429</u>	<u>-</u>	<u>-</u>	<u>12,429</u>
Fund equity:				
Fund balance:				
Nonspendable: Prepaid Expenses	6,006	-	-	6,006
Restricted for: Downtown Revitalization	15,482	-	-	15,482
Unassigned reported in: General Fund	77,413	-	-	77,413
Total fund balance	<u>98,901</u>	<u>-</u>	<u>-</u>	<u>98,901</u>
TOTAL LIABILITIES				
AND FUND EQUITY	<u>\$ 111,330</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,330</u>

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, 2011

Fund balances - total governmental funds	\$	98,901
Amounts reported for governmental activities are not financial resources and, therefore, are not reported in the governmental funds		
Governmental capital assets	\$	1,463,078
Less: accumulated depreciation		<u>914,464</u>
		<u>(548,614)</u>
Net assets of governmental funds	\$	<u>1,013,365</u>

TOWN OF NEWELLTON
Newellton, Louisiana
Governmental Funds
Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2011

	<u>Major Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
	<u>General Fund</u>	<u>Downtown Revitalization</u>	
Revenues:			
Taxes:			
Ad valorem	\$ 58,953	\$ -	\$ 58,953
Sales	40,655	-	40,655
Charges for services	76,508	-	76,508
Licenses and permits, and commission for services	60,795	-	60,795
Intergovernmental:			
State	48,170	-	48,170
Local	38,880	-	38,880
Fines and forfeitures	21,893	-	21,893
Use of money and property	221	25	246
Other revenues	286	-	286
Total Revenues	<u>346,361</u>	<u>25</u>	<u>346,386</u>
Expenditures:			
Current:			
General government	166,962	-	166,962
Public safety-police	129,553	-	129,553
Public safety-fire	700	-	700
Public works	146,479	-	146,479
Capital outlay	35,829	-	35,829
Total Expenditures	<u>479,523</u>	<u>-</u>	<u>479,523</u>
Excess (Deficiency) of Revenues	(133,162)	25	(133,137)
Other Financing Sources/(Uses)			
Gain on Sale of Assets	-	-	-
Transfers in	146,482	-	146,482
Transfers out	-	(15,482)	(15,482)
Total Other Financing Sources/(Uses)	<u>146,482</u>	<u>(15,482)</u>	<u>131,000</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	13,320	(15,457)	(2,137)
Fund Balances at Beginning of Year	<u>85,581</u>	<u>15,457</u>	<u>101,038</u>
FUND BALANCES AT END OF YEAR	<u>\$ 98,901</u>	<u>\$ -</u>	<u>\$ 98,901</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, 2011**

Net change in fund balances - total governmental funds	\$	(2,137)
Amount reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	\$	35,829
Depreciation expense		<u>(84,030)</u>
		(48,201)
Change in net assets of governmental activities	\$	<u>(50,338)</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Business-type Activities - Enterprise Fund
Statement of Net Assets
June 30, 2011

	<u>Utility Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 172,828
Investments	296,672
Accounts receivable - net	73,788
Due from other funds	2,396
Prepaid expenses	5,978
Total current assets	<u>551,662</u>
Restricted assets	
Cash	142,263
Total restricted assets	<u>142,263</u>
Capital assets	
Non-depreciable	19,650
Depreciable	6,899,218
Total capital assets	<u>6,918,868</u>
Accumulated depreciation	<u>(2,796,243)</u>
Net capital assets	<u>4,122,625</u>
Other assets	
Investment in jointly owned gas operations and maintenance fund	<u>91,409</u>
Total assets	<u>\$ 4,907,959</u>
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable and accrued expenses	\$ 22,785
Payroll liabilities	2,422
Total current liabilities	<u>25,207</u>
Liabilities payable from restricted assets	
Accrued interest payable	3,199
Customer deposits and customer prepayments	74,144
Current portion of revenue bonds payable	38,564
Total restricted liabilities	<u>115,907</u>
Noncurrent liabilities	
Revenue bonds payable	<u>320,417</u>
Total noncurrent liabilities	<u>320,417</u>
Total liabilities	<u>461,531</u>
Net assets	
Invested in capital assets, net of related debt	3,760,445
Restricted for	
Debt service	87,831
Depreciation and contingency	54,431
Unrestricted	543,721
Total net assets	<u>4,446,428</u>
Total liabilities and net assets	<u>\$ 4,907,959</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, 2011

	<u>Utility Fund</u>
OPERATING REVENUES	
Water sales	\$ 257,377
Gas sales	250,361
Sewerage fees	148,748
Plumbing fees	3,951
Penalties	13,391
Other operating revenues	1,725
Miscellaneous revenues	-
Total operating revenues	675,553
OPERATING EXPENSES	
Bad debts	2,193
Computer consultants	3,804
Depreciation	144,079
Dues and subscriptions	1,162
Engineering	-
Equipment	14,805
Gas purchases	104,182
Insurance - general	17,372
Legal and audit	23,291
Office supplies	5,934
Postage	3,696
Salaries and related benefits	141,520
Supplies-plant	12,231
Supplies and expenses-gas	8,394
Supplies and expenses-sewer	21,299
Supplies and expenses-water	42,540
Telephone	7,567
Travel and meetings	2,732
Utilities	43,194
Total operating expenses	600,168

(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, 2011

	<u>Utility Fund</u>
Operating Income	75,385
NONOPERATING REVENUES (EXPENSES)	
Grants	21,427
Interest earnings	5,358
Gain on disposition of assets	-
Income from jointly owned gas line	239
Interest expense	<u>(34,736)</u>
Total nonoperating revenue (expenses)	<u>(7,712)</u>
Net income before operating transfers	67,673
OPERATING TRANSFERS	
Transfers out	<u>(131,000)</u>
Net transfers	(131,000)
Net income	(63,327)
Net assets beginning of year	<u>4,509,755</u>
Net assets end of year	<u>\$ 4,446,428</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Business-type Activity - Enterprise Fund
Statement of Cash Flows
For the Year Ended June 30, 2011

	<u>Utility Fund</u>
Cash flows from operating activities	
Cash received from customers	\$ 674,785
Cash paid for employee services	(144,333)
Cash payments to suppliers for goods and services	(301,878)
Net cash provided by operating activities	<u>228,574</u>
Cash flows from noncapital financing activities	
Transfers to general fund from the utility fund	(131,000)
Net cash used in noncapital financing activities	<u>(131,000)</u>
Cash flows from capital and related financing activities	
Grant received for acquisition of capital assets	21,427
Acquisition of capital assets	(34,995)
Principal paid on debt	(466,024)
Interest paid on debt	(36,244)
Net cash used for financing activities	<u>(515,836)</u>
Cash flows from investing activities	
Sales of investments	423,492
Interest received on investments	5,358
Distribution received from Joint Line Investment	238
Net cash provided by investing activities	<u>429,088</u>
Net increase in cash	10,826
Cash, beginning of year	<u>304,265</u>
Cash, end of year	<u>\$ 315,091</u>
Shown on the accompanying statement of net assets as	
Cash	\$ 172,828
Restricted assets	
Cash	<u>142,263</u>
Total	<u>\$ 315,091</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, 2011

	<u>Utility Fund</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 75,385
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	144,079
Bad debt expense	2,193
Change in assets and liabilities	
Accounts receivable	(2,317)
Prepaid expenses	(1,572)
Accounts payable and accrued liabilities	12,070
Due to other funds	658
Customer deposits	<u>(1,922)</u>
Net cash provided by operating activities	<u>\$ 228,574</u>
 Supplemental disclosure of noncash capital investing activities	
Increase in the investment of the jointly owned gas operations and maintenance fund	<u>\$ 239</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2011

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, 2011

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, 2011

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 category. 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.

The Town has one special revenue fund and it is the Downtown Revitalization Fund. Being that it is the only other governmental activities fund, it has been made a major fund for reporting purposes. However, to simply monthly and yearly reporting, this fund is being closed out and transferred into the General Fund. The checking account will continue to be restricted and can only be used for downtown revitalization efforts which relate to a downtown vendor borrowing from this account to revitalize the store front. The maximum loan amount is \$2,500. No loans are outstanding as of June 30, 2011.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2011

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

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

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

Revenues:

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, 2011

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. Rates are charged for services are as follows:

1. Water rates charged:
 - a. Residential customers are charged \$26.00 for the first 2,000 gallons of water and \$4.00 for each additional 1,000 gallons or fraction thereof.
 - b. Commercial customers are charged \$31.00 for the first 2,000 gallons of water used and then \$4.00 for each additional 1,000 gallons or fraction thereof.
2. Sewer rates charged:
 - a. Residential customers are billed \$14.20 for the first 2,000 gallons of water used. They are then billed \$3.34 for each 1,000 gallons or fraction thereof.
 - b. Commercial customers are charged \$18.46 for the first 2,000 gallons of water purchased. They are then charged \$3.34 for each additional 1,000 gallons or fraction thereof of water used.
3. Gas rates charged to customers are \$13.00 per 1,000 cubic feet of gas used.

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.
3. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2011

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, 2011, the Town adopted a budget for the General Fund.

D. 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 began capitalizing infrastructure as expenditures were incurred.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2011

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

All purchased capital assets greater than \$1,000 are recorded at cost where historical records are available and at estimated cost where no historical records are available. Donated fixed assets are valued at fair market value at date of gift. Major additions are capitalized while maintenance and repairs that do not improve or extend the life of the respective assets are charged to expense. Interest is capitalized on funds used during construction of projects acquired with bond funds. No interest was capitalized during the year ended June 30, 2011.

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 Gas Transmission and Distribution System	50 – 99
Buildings	20 – 30
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 \$3,700 has been set up for the year ended June 30, 2011.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2011

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 \$17,850 for the year ended June 30, 2011.

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.

Nonspendable, Restricted, Committed, Assigned, and Unassigned Fund Balances

The Town implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the fiscal year ended June 30, 2011. This statement changed the terminology of the various classifications of fund balance which are nonspendable, restricted, committed assigned and unassigned which are defined as follows:

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2011

The **nonspendable** portion of fund balance represents items that cannot be spent, such as for prepaid expenses.

Portions of fund equity reported in the Fund Financial Statements are **restricted** by local, state or Federal grant regulations for future use and are; therefore, not available for future appropriation or expenditure. The Town's only restricted amount relates to the Downtown Revitalization checking account which is 100% restricted for expenditures related to downtown revitalization.

Committed unassigned fund balances indicate the Town's tentative plans for the use of financial resources in a future period. Fund balance commitments are made by Board approved resolutions. The Town does not have any such fund balances in the current fiscal year.

The Board of Aldermen can assign the General Fund's unassigned fund balance as they determine needed for the payment of future commitments. The Board of Aldermen has not established a formal policy regarding the order of spending fund balances that are restricted, committed, or assigned. The Town's informal policy for the spending prioritization of fund balances is that restricted would receive top priority followed by committed. Assigned balances receive the least priority and would be authorized to be spent only if adequate funds were available. If expenditures incurred exceed the amount that have been committed or assigned to a specific purpose, amounts unassigned would be reduced to eliminate the deficit. The Town does not have any assigned fund balances in the current fiscal year.

The Town has not established benchmarks for unassigned fund balance requirements.

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, 2011

Equity Investments

The Town has a 50% ownership in a jointly owned gas line (see Note 6) that is accounted for using the equity method. Under this method, investments are carried at cost and increased or decreased by the Town's share of earnings or losses.

Note 2 - 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, 2011.

At June 30, 2011, the Town has cash totaling \$697,614, as follows:

Petty Cash	\$ 139
Demand Deposits	401,103
Certificate of Deposit	296,672
Total	\$ <u>697,914</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 (bank balances other than these backed by the U.S. government) at June 30, 2011, is secured, as follows:

Bank Balances	\$ <u>724,183</u>
Federal deposit insurance	\$ 256,266
Pledged Securities	467,917
Total	\$ <u>724,183</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2011

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 \$93,260 at of June 30, 2011 and are comprised of the following:

	General Fund	Proprietary Fund	Total
Accounts receivable			
Sales taxes	\$ 5,542	\$ -	\$ 5,542
Franchise fees	4,999	-	4,999
Returned checks	323	971	1,294
Customer receivables	-	76,517	76,517
Less: Allowance for Doubtful Accounts	-	(3,700)	(3,700)
Due from other governmental units	8,608	-	8,608
Total	\$ 19,472	\$ 73,788	\$ 93,260

The Town has 459 residential and 42 commercial water customers and 451 residential and 37 commercial sewer customers. The Town also serves 304 residential and 47 commercial gas customers.

Significantly all of the \$76,517 in utility customer receivables are current and are classified as follows: Water, \$35,331; Gas, \$13,944; Sewer, \$16,892 and Other, \$10,350.

Note 4 - Restriction on Use of Funds

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

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2011

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, 2011

Restricted Assets were composed of the following as of June 30, 2011:

	<u>Cash and Cash Equivalents</u>
1976 Water and Gas Revenue Bonds	
Bond and Interest Redemption Fund	\$ 51,731
Bond Reserve Fund	19,409
Depreciation and Contingency Fund	43,313
1988 Sewer Revenue Bonds	
Bond and Interest Redemption Fund	7,533
Bond Reserve Fund	9,159
Depreciation and Contingency Fund	11,118
Total - Utility Fund	<u>\$ 142,263</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2011

Note 5 - Changes in Capital Assets

The following schedule presents changes in capital assets for the year ended June 30, 2011

	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011
Governmental Activities				
Nondepreciable assets				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Total nondepreciable assets	1,000	-	-	1,000
Depreciable assets				
Building	43,800	6,500	-	50,300
Vehicles	324,735	-	-	324,735
Furniture and equipment	162,807	9,011	88,694	83,124
Fire station	486,426	-	-	486,426
Streets and drainage	497,175	20,318	-	517,493
Total depreciable assets	1,514,943	35,829	88,694	1,462,078
Less accumulated depreciation	(553,278)	(84,030)	(88,694)	(548,614)
Net governmental activities capital assets	\$ 962,665	\$ (48,201)	\$ -	\$ 914,464
Business-type activities				
Nondepreciable assets				
Land	\$ 19,650	\$ -	\$ -	\$ 19,650
Depreciable assets				
Water system	2,579,669	-	-	2,579,669
Sewer system	2,828,652	12,821	-	2,841,473
Gas system	1,328,027	-	-	1,328,027
Gas pipeline	9,428	-	-	9,428
Service equipment	110,181	22,174	-	132,355
Office equipment	8,266	-	-	8,266
Total depreciable assets	6,864,223	34,995	-	6,899,218
Less accumulated depreciation	(2,652,164)	(144,079)	-	(2,796,243)
Net business-type capital assets	\$ 4,231,709	\$ (109,084)	\$ -	\$ 4,122,625

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Notes To Financial Statements
As Of And For The Year Ended June 30, 2011

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

Depreciation of \$84,030 was charged to governmental activities as follows: General Government, \$4,650; Public Safety, \$35,050; Public Works, \$10,508; and Streets and Drainage, \$33,822. Depreciation of \$144,079 as of June 30, 2011, was charged to expense in the utility fund.

Note 6 - Investment in Jointly Owned Gas Line

The Towns of Newellton and St. Joseph, Louisiana 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, 2011, and for the year then ended, is as follows:

Total assets	\$ 193,675
Total liabilities	(10,858)
Total fund equity	<u>\$ 182,817</u>
Total revenues	\$ 279,231
Total cost of sales	<u>(232,064)</u>
Gross profit	47,167
Operating expenses	(47,082)
Nonoperating revenue	<u>392</u>
Net income	477
Net assets, beginning of year	182,340
Distributions	-
Net assets, end of year	<u>\$ 182,817</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2011

Note 7 - Long-Term Debt

The following is a summary of long term-debt transactions of the Town for the year ended June 30, 2011:

Business-Type Activities - Revenue Bonds

Balance at beginning of year	\$ 825,005
Additions	-
Retirements	<u>(466,025)</u>
Balance end of year	<u>\$ 358,980</u>

Bonds payable at June 30, 2011 are comprised of the following individual issues:

Business-Type Activities - Revenue Bonds:

\$550,000 Bonds dated April 6, 1976; due in annual installments of \$29,250 - \$33,000 through April 6, 2016; interest at 5%.	\$ 135,000
\$100,000 Bonds dated April 6, 1976; due in annual installments of \$5,250 - \$6,250, through April 6, 2016; interest at 5%.	25,000
\$315,000 Bonds dated March 23, 1988; due in annual installments of \$18,512 through May 12, 2028; interest at 5%.	198,980
Total Revenue Bonds - Utilities Enterprise Fund	<u><u>\$ 358,980</u></u>

TOWN OF NEWELLTON
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Notes To Financial Statements
As Of And For The Year Ended June 30, 2011

Principal and interest are due in total, to maturity, as follows:

Fiscal Year Ended June 30,	Business-Type Activities		
	Principal	Interest	Total
2012	\$ 38,564	\$ 17,949	\$ 56,513
2013	38,992	16,021	55,013
2014	39,441	14,071	53,512
2015	44,913	12,100	57,013
2016	45,409	9,854	55,263
2017-2021	60,392	32,171	92,563
2022-2026	77,077	15,486	92,563
2027-2031	14,192	710	14,902
	<u>\$ 358,980</u>	<u>\$ 118,362</u>	<u>\$ 477,342</u>

For the fiscal year ended June 30, 2011, the amount of interest charged to expense was \$34,736 for revenue bonds.

During fiscal year 2011, the Town used some of its excess cash to fully extinguish its 1997 bond issue of \$432,869. In doing so, the Town has saved \$327,822 in interest payments that it would have paid had it not extinguished this debt issue. The annual debt service (principal and interest) on this debt had been \$28,781 per year which would have continued through fiscal year 2038.

Note 8 - Interfund Receivables and Payables

Individual fund interfund receivables and payables at June 30, 2011, are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ -	\$ 2,396
Utility Enterprise Fund	2,396	-
Total	<u>\$ 2,396</u>	<u>\$ 2,396</u>

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.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2011

Note 9 - Interfund Transfers

Individual fund transfers in and out at June 30, 2011 are as follows:

	Operating Transfers	
	In	Out
General Fund	\$ 146,482	\$ -
Downtown Revitalization Special Revenue Fund	-	15,482
Enterprise Fund	-	131,000
Total	\$ 146,482	\$ 146,482

Transfers are used to (1) move revenues from the fund that is required by statute or budget to collect them to the fund that is required by statute or budget to expend them, (2) use unrestricted revenues collected in the General fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

In the year ended June 30, 2011, the Town made transfers of \$131,000 from the Utility Fund to the General Fund to cover the cash short fall in the General Fund. Another \$15,482 was transferred from the Downtown Revitalization Special Revenue Fund to the General Fund to consolidate record keeping of these two governmental funds.

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 for fiscal year 2011 was 18.53 mills.

Note 11 - 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

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2011

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 3.00% of the member's final compensation multiplied by his years of creditable service.

Funding Policy. Contributions to the system include one-fourth of one per cent of the taxes shown to be collectible by the tax rolls of the parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of members on which contributions were made for the previous fiscal year.

State statute requires covered employees to contribute 9.25% 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 current rate is 14.25%. The Town's contributions to the MERS for the years ended June 30, 2011, 2010 and 2009 were \$28,806, \$29,852, and \$28,400; 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, 7937 Office Park Boulevard, 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 the 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 fiscal year 2011 the Town purchased \$104,182 of natural gas from the jointly owned gas line and owed it \$4,414 as of June 30, 2010.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2011

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.

**REQUIRED SUPPLEMENTARY INFORMATION
(PART B)**

TOWN OF NEWELLTON
Newellton, Louisiana

General Fund
Budgetary Comparison Schedule (GAAP Basis)

Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget		
Budgetary fund balance at beginning of year	\$ 110,831	\$ 101,038	\$ 85,581	\$ (15,457)
Resources (inflows)				
Ad valorem taxes	65,000	65,000	58,953	(6,047)
Sales and other taxes	62,500	32,500	40,655	8,155
Charges for services	72,000	65,000	76,508	11,508
License and permits:				
Franchise revenue	34,900	32,000	22,551	(9,449)
Occupational & other licenses	30,000	20,000	38,244	18,244
Intergovernmental revenue	127,500	96,380	87,050	(9,330)
Fines and forfeitures	25,000	25,000	21,893	(3,107)
Interest income	300	200	221	21
Miscellaneous	3,600	300	286	(14)
Total revenues	<u>420,800</u>	<u>336,380</u>	<u>346,361</u>	<u>9,981</u>
Gain/loss on sale of assets	-	-	-	-
Transfers in	60,000	92,000	146,482	54,482
	<u>60,000</u>	<u>92,000</u>	<u>146,482</u>	<u>54,482</u>
Total revenues	480,800	428,380	492,843	64,463
Amounts available for appropriations	<u>591,631</u>	<u>529,418</u>	<u>578,424</u>	<u>49,006</u>
Charges to appropriations (outflows)				
Current:				
General government	179,404	183,900	166,962	16,938
Public safety:				
Police department	122,100	128,000	129,553	(1,553)
Fire department	2,000	1,800	700	1,100
Public works	138,400	157,500	146,479	11,021
Capital outlay	86,362	52,000	35,829	16,171
Total charges	<u>528,266</u>	<u>523,200</u>	<u>479,523</u>	<u>43,677</u>
Transfers out	600	-	-	-
Total charges to appropriations	<u>528,866</u>	<u>523,200</u>	<u>479,523</u>	<u>43,677</u>
Excess of revenues over expenditures	<u>(48,066)</u>	<u>(94,820)</u>	<u>13,320</u>	<u>108,140</u>
Budgetary fund balance at end of year	<u>\$ 62,765</u>	<u>\$ 6,218</u>	<u>\$ 98,901</u>	<u>\$ 92,683</u>

OTHER SUPPLEMENTAL INFORMATION

TOWN OF NEWELLTON
Newellton, Louisiana

Schedules of Net Assets - Utility Enterprise Fund
June 30, 2011 and 2010

	2011	2010
ASSETS		
Current assets		
Cash and cash equivalents	\$ 172,828	\$ 127,268
Investments	296,672	720,164
Accounts receivable - net	73,788	76,477
Due from other funds	2,396	3,054
Prepaid expenses	5,978	4,406
Total current assets	551,662	931,369
Restricted assets		
Cash and cash equivalents	142,263	176,997
Capital assets		
Non-depreciable	19,650	19,650
Depreciable	6,899,218	6,864,223
Total capital assets	6,918,868	6,883,873
Accumulated depreciation	(2,796,243)	(2,652,164)
Net capital assets	4,122,625	4,231,709
Other assets		
Investment in jointly owned gas operations and maintenance fund	91,409	91,171
Total assets	\$ 4,907,959	\$ 5,431,246
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 22,785	\$ 10,715
Payroll liabilities	2,422	5,235
Due to other funds	-	-
Total current liabilities	25,207	15,950
Liabilities payable from restricted assets		
Accrued interest payable	3,199	4,470
Customer deposits and customer prepayments	74,144	76,066
Current portion of revenue bonds payable	38,564	41,008
Total restricted liabilities	115,907	121,544
Noncurrent liabilities		
Revenue bonds payable	320,417	783,997
Total noncurrent liabilities	320,417	783,997
Total liabilities	461,531	921,491
Net assets		
Invested in capital assets, net of related debt	3,760,445	3,402,234
Restricted:		
Debt service	87,831	105,082
Depreciation and contingency	54,431	71,916
Unrestricted	543,721	930,523
Total net assets	4,446,428	4,509,755
Total liabilities and net assets	\$ 4,907,959	\$ 5,431,246

TOWN OF NEWELLTON
Newellton, Louisiana

**Schedules of Revenues, Expenses, and Changes in
Net Assets - Utility Enterprise Fund
For The Year Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Water sales	\$ 257,377	\$ 298,871
Gas sales	250,361	323,426
Sewerage fees	148,748	177,085
Plumbing fees	3,951	2,261
Penalties	13,391	18,522
Other operating revenues	1,725	48
Miscellaneous revenues	-	-
Total operating revenues	<u>675,553</u>	<u>820,213</u>
Operating expenses:		
Bad debts	2,193	5,939
Computer consultants	3,804	2,421
Depreciation	144,079	140,002
Dues and subscriptions	1,162	1,174
Engineering	-	-
Equipment	14,805	19,154
Gas purchases	104,182	173,059
Insurance - general	17,372	17,754
Legal and audit	23,291	25,480
Miscellaneous expenses	173	2,863
Office supplies	5,934	5,566
Postage	3,696	2,960
Salaries and related benefits	141,520	135,349
Supplies-plant	12,231	3,764
Supplies and expenses-gas	8,394	6,038
Supplies and expenses-sewer	21,299	23,127
Supplies and expenses-water	42,540	55,011
Telephone	7,567	7,736
Travel and meetings	2,732	3,307
Utilities	43,194	52,987
Total operating expenses	<u>600,168</u>	<u>683,691</u>
Operating profit (loss)	75,385	136,522
Nonoperating revenues (expenses):		
Grants	21,427	26,041
Interest earnings	5,358	7,512
Gain (loss) on disposition of assets	-	1,000
Income from jointly owned gas operations and maintenance fund	239	7,435
Interest expense	(34,736)	(42,071)
Total nonoperating revenue (expense)	<u>(7,712)</u>	<u>(83)</u>
Income before operating transfers	67,673	136,439
Operating transfers:		
Transfers out	(131,000)	(80,000)
Net transfers	<u>(131,000)</u>	<u>(80,000)</u>
Net income (loss)	(63,327)	56,439
Net assets beginning of year	<u>4,509,755</u>	<u>4,453,316</u>
Net assets end of year	<u>\$ 4,446,428</u>	<u>\$ 4,509,755</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Schedules of Cash Flows - Utility Enterprise Fund
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Cash received from customers	\$ 674,785	\$ 825,952
Cash paid for employee services	(144,333)	(112,714)
Cash payments to suppliers for goods and services	(301,878)	(428,261)
Net cash provided by operating activities	<u>228,574</u>	<u>284,977</u>
Cash flows from noncapital financing activities:		
Transfers to general fund	(131,000)	(80,000)
Net cash used in noncapital financing activities	<u>(131,000)</u>	<u>(80,000)</u>
Cash flows from capital and related financing activities		
Grant received for acquisition of capital assets	21,427	26,042
Acquisition of capital assets	(34,995)	(30,402)
Proceeds from sale of capital assets	-	(1,000)
Principal paid on debt	(466,024)	(39,488)
Interest paid on debt	(36,244)	(42,548)
Net cash used for financing activities	<u>(515,836)</u>	<u>(87,396)</u>
Cash flows from investing activities		
Sale (Purchase) of short-term investments	423,492	(506,315)
Interest received on investments	5,358	7,512
Distribution received from Joint Line	238	150,000
Net cash provided by investing activities	<u>429,088</u>	<u>(348,803)</u>
Net increase in cash	10,826	(231,222)
Cash, beginning of year	<u>304,265</u>	<u>535,487</u>
Cash, end of year	<u>\$ 315,091</u>	<u>\$ 304,265</u>
Shown on the accompanying balance sheet as		
Cash	\$ 172,828	\$ 127,268
Restricted assets		
Cash	<u>142,263</u>	<u>176,997</u>
Total	<u>\$ 315,091</u>	<u>\$ 304,265</u>

(Continued)

TOWN OF NEWELLTON
Newellton, Louisiana

Schedules of Cash Flows - Utility Enterprise Fund (Concluded)
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 75,385	\$ 136,522
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	144,079	140,002
Loss on disposal	-	-
Bad debts	2,193	5,939
Change in assets and liabilities		
Accounts receivable	(2,317)	13,168
Prepaid expenses	(1,572)	(531)
Accounts payable and accrued liabilities	12,070	(2,695)
Due to other funds	658	(8,458)
Customer deposits	(1,922)	1,030
Net cash provided by operating activities	<u>\$ 228,574</u>	<u>\$ 284,977</u>
Supplemental disclosure of noncash capital investing and financing activities:		
Increase in the investment in the jointly owned gas operations and maintenance fund	<u>239</u>	<u>7,435</u>
Total noncash capital investing and financing activities	<u>\$ 239</u>	<u>\$ 7,435</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Schedule of Changes in Restricted Assets
For the Year Ended June 30, 2011

	<u>Bond and Interest Redemption</u>	<u>Bond Reserve</u>	<u>Depreciation and Contingency</u>	<u>Total</u>
<u>\$550,000 1976 Water and Gas Revenue Bonds</u>				
<u>\$100,000 1976 Water and Gas Revenue Bonds</u>				
Balance - July 1, 2010	\$ 46,703.00	\$ 17,521.00	\$ 40,950.00	\$ 105,174.00
Add:				
Transfers from operating	39,000.00	1,800.00	2,160.00	42,960.00
Interest earned	277.00	88.00	203.00	568.00
Total funds available	<u>85,980.00</u>	<u>19,409.00</u>	<u>43,313.00</u>	<u>148,702.00</u>
Less:				
Principal and interest	<u>(34,250.00)</u>	<u>-</u>	<u>-</u>	<u>(34,250.00)</u>
Balance - June 30, 2011	<u>\$ 51,730.00</u>	<u>\$ 19,409.00</u>	<u>\$ 43,313.00</u>	<u>\$ 114,452.00</u>
<u>\$315,000 1988 Sewer Revenue Bonds</u>				
Balance - July 1, 2010	\$ 7,466.00	8,192.00	\$ 9,964.00	\$ 25,622.00
Add:				
Transfers from operating	18,513.00	926.00	1,104.00	20,543.00
Interest earned	67.00	41.00	50.00	158.00
Total funds available	<u>26,046.00</u>	<u>9,159.00</u>	<u>11,118.00</u>	<u>46,323.00</u>
Less:				
Principal and interest	<u>(18,513.00)</u>	<u>-</u>	<u>-</u>	<u>(18,513.00)</u>
Balance - June 30, 2011	<u>\$ 7,533.00</u>	<u>\$ 9,159.00</u>	<u>\$ 11,118.00</u>	<u>\$ 27,810.00</u>
<u>\$506,000 1997 Water Revenue Bonds</u>				
Balance - July 1, 2010	\$ 5,369.00	\$ 19,831.00	\$ 21,001.00	\$ 46,201.00
Add:				
Transfers from operating	21,586.00	1,080.00	1,152.00	23,818.00
Interest earned	17.00	77.00	82.00	176.00
Total funds available	<u>26,972.00</u>	<u>20,988.00</u>	<u>22,235.00</u>	<u>70,195.00</u>
Less:				
Principal and interest	<u>(21,586.00)</u>	<u>-</u>	<u>-</u>	<u>(21,586.00)</u>
Transfers to operating	<u>(5,386.00)</u>	<u>(20,988.00)</u>	<u>(22,235.00)</u>	<u>(48,609.00)</u>
Balance - June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**TOWN OF NEWELLTON, LOUISIANA
COMPENSATION PAID ALDERMEN
FOR THE YEAR ENDED JUNE 30, 2010**

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>
Edwin Britt	6,000
James Fuller	6,000
Billy Mitchell	6,000
Mattie Sampson	6,000
Timothy Turner	6,000
Total Compensation	<u>\$ 30,000</u>

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Newellton (the Town) as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected

**Town of Newellton
Newellton, Louisiana**

and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings listed as finding 11-01 to be a material weakness.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings listed as finding 11-02 to be a significant deficiency.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 11-01 and 11-02.

We noted certain other matters that we reported to management of the Town in a separate letter dated January 5, 2012.

The Town's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Town's response and, accordingly, we express no opinion on it.

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

Huffman, Ryzdale, & Squires

(A Professional Accounting Corporation)

January 5, 2012

TOWN OF NEWELLTON

Newellton, Louisiana

Schedule of Findings

June 30, 2011

11-01 Local Government Budget Act

Finding

On May 8, 2011, the Town Council approved the Town's amended 2011 budget and the original 2012 budget. However, the four columns presented (the Prior Year (2009/2010) Actual, the 9 month Actual through March 31, 2011, the 2010/2011 Amended Budget and the 2012 Proposed Budget) contains significant errors and are identified as follows:

Prior Year (2009/2010) Actual

The first column in the Budget Proposal reflects the prior year actual for the year ended June 30, 2010. A summary of the discrepancies are as follows:

	<u>Per Town</u>	<u>Per Audit</u>	<u>Difference</u>
Revenues	\$ 349,829	\$ 347,034	\$ (2,795)
Expenditures	(464,277)	(477,840)	(13,563)
Other financing sources	89,744	92,894	3,150
Total	(24,704) H	(37,912) G	(13,208) F
Fund Balance-Beginning	148,639 A	123,493 B	(25,146) C
Fund Balance-Ending	\$ 123,935 D	\$ 85,581 E	\$ (38,354)

The differences in the revenues, expenditures and other financing sources appear to be accounts that had adjustments during the 2010 audit or were not listed on the budget proposal. The \$148,639 (A) beginning fund balance reflects the General Fund's \$123,493 (B) as well as the Downtown Revitalization Fund's \$15,432 and the Fire Department's Debt Service Fund's \$9,714 (for a combined total of \$25,146 (C)). The only fund that should have been reflected is the General Fund. The \$123,935 (D) ending fund balance includes the General Fund's \$85,581 (E) and by default, the Downtown Revitalization Fund's \$15,432 and the Fire Department's Debt Service Fund's \$9,714 (for a combined total of \$25,146 (C)) and the \$13,208 (F) error between the actual deficiency in revenues over expenditures of \$37,912 (G) versus the Budget Proposal's \$24,704 (H).

9 Month (July 1, 2010 to March 31, 2011) Actual

The second column in the Budget Proposal reflects the actual balances through March 31, 2011. The errors in this column include a \$3000 arithmetic error in Public Safety-Police where the total is reflected as \$91,233 but should have been reflected at \$88,233; the beginning fund balance is reflected at \$101,038 but should have shown at \$85,581, a difference of \$15,457; the ending fund balance is reflected at \$80,366 but should have been shown at \$67,909, a difference of \$12,457.

TOWN OF NEWELLTON

Newellton, Louisiana

Schedule of Findings

June 30, 2011

2010/2011 Amended Budget

The third column contains the amended budget for the year ended June 30, 2011. A summary of the discrepancies are as follows:

	<u>Per Town</u>		<u>Correctly Added</u>		<u>Difference</u>
Revenues	\$ 336,380	B	\$ 336,380		\$ 0
Expenditures	(399,700)	C	(523,200)	D	(123,500) G
Excess of Revs over Exp	63,320	A	(186,820)		(250,140)
Other financing sources	(92,000)	E	92,000		184,000
Total	(28,680)	F	(94,820)		(66,140)
Fund Balance-Beginning	101,038	H	85,581	I	(15,457) J
Fund Balance-Ending	\$ 72,358		\$ (9,239)		\$ (81,597)

The above table reflects a positive \$63,320 (A) for the Excess of Revenues over Expenditures but it should have been reflected as a negative \$63,320 using the \$336,380 (B) in revenues less the \$399,700 (C) (which should have been the \$523,200 (D)) for expenditures. The \$92,000 (E) in Other Financing Sources is a transfer in from the Utility Fund but is reflected as a transfer out given the Total is reflected as a negative \$28,680 (F). The \$123,500 (G) difference reflected in expenditures is all in General Government Expenditures which were totaled by the Town as being \$60,400 instead of \$183,900. The \$123,500 coincides with the total of the individual line items that appear on the first page of the budget amendment and therefore, were inadvertently not included in the total.

The \$101,038 (H) beginning fund balance is the combined fund balance for the General Fund (\$85,581) (I) and the Downtown Revitalization Fund (\$15,457) (J). The only fund that should be reflected is the General Fund.

It should be noted that had the correct fund balance of \$85,581 been used, the Town budgeted a negative fund balance for June 30, 2011 which is not allowed per Revised Statute 39:1305. Additionally, as a result of using \$101,038 as the beginning fund balance, the Town violated Revised Statute 39:1311 where the difference was more than 5% and was being used to fund current year expenditures.

TOWN OF NEWELLTON

Newellton, Louisiana

Schedule of Findings

June 30, 2011

Proposed 2011/2012 Budget

The fourth column contains the proposed budget for the year ended June 30, 2012. A summary of the discrepancies are as follows:

	<u>Per Town</u>		<u>Correctly Added</u>		<u>Difference</u>
Revenues	\$ 346,880	O	\$ 346,880		\$ 0
Expenditures	405,700	P	529,200	Q	(123,500) M
Excess of Revs over Exp	58,520	N	(182,320)		(240,840)
Other financing sources	(50,000)	R	50,000		100,000
Total	5,520	S	(132,320)		(140,840)
Fund Balance-Beginning	72,358	T	(9,239)		(81,597)
Fund Balance-Ending	\$ 63,538		\$ (141,559)		\$ (205,097)

Additional comments regarding the above table is that the \$123,500 difference (M) is similar to the previous discussion in that page 1 of the budget proposal has several accounts that were not added into the General Government Expenditures. The positive \$58,820 (N) shown for the Excess of Revenues over Expenditures should have been reflected as a negative \$58,820 using the \$346,380 (O) in revenues less the \$405,700 (P) (which should have been the \$529,200(Q)) for expenditures. The \$50,000 (R) in Other Financing Sources is a transfer in from the Utility Fund but is reflected as a transfer out. However, the Total line of \$5,520 (S) should have been reflected as \$8,520 using the \$58,520 and the \$50,000 instead of the \$5,520 but again, there are several arithmetic errors which negates the validity of any of these numbers.

The \$72,358 (T) in July 1, 2011 beginning fund balance is pulling from the ending estimated fund balance for June 30, 2011. However, given the mathematical errors already discussed regarding the third column, the amount should have been reflected as an estimated negative \$9,239.

Summary

Given the number of mathematical errors in the Budget Proposal, it is difficult for the Town to have a realistic understanding of the financial operation of the Town. However, the most critical differences are the following:

The Town is reflecting a beginning fund balance for July 1, 2011 of \$72,358. The correct number is \$98,901. However, of this amount, \$15,482 is restricted by the state for downtown revitalization which means that the Town only has \$83,419 available (less the \$6,006 of prepaid expenses).

The Town is reflecting a deficiency of revenues over expenditures of \$137,840 (instead of a positive \$5,520) which exceeds the \$98,901 beginning balance.

TOWN OF NEWELLTON
Newellton, Louisiana

Schedule of Findings
June 30, 2011

Recommendation

The Town should rework its budget for the year ending June 30, 2012 by adopting budget amendment number 1 to ensure that all data is accurately understood by all parties. The first thing that needs to be determined is whether the Town needs to address all of its financial issues within the General Fund or if it will transfer additional funds from the Utility Fund to ensure that the General Fund's fund balance remains above \$0. The beginning fund balance that should be used is \$98,901.

We recommend that the Town use an excel spreadsheet for its budget preparation with an emphasis on editing formulas to ensure that the totals accurately reflect the expected data.

Management's Corrective Action Plan

We will be reworking the General Fund budget and will adopt it by ordinance when completed. Future amendments and original budgets will be reviewed more closely to ensure the mathematical accuracy of the spreadsheet. Also, the Town will continue working with its consultants monthly.

11-02 Timely Submission of Financial Statements

Finding

The audited financial statements were not submitted to Louisiana Legislative Auditor by December 31, 2011 (six months after fiscal year end) as required by Louisiana Revised Statute 24:513. This year's submission was delayed due to having issues getting corrective action plans finalized.

Recommendation

The Town should comply with the required six month deadline as required by state law.

Management's Corrective Action Plan

The Town has always submitted its reports on time in the past and does not anticipate this finding being an issue in the future. The Town will work tirelessly to make sure we comply with Louisiana Revised Statute 24:513 to submit all financial statements in a timely manner.

TOWN OF NEWELLTON
Newellton, Louisiana

Summary Status of Prior Year Findings
For the Year Ended June 30, 2011

The following is a summary of the status of the prior year audit findings included in the Luffey, Huffman, Ragsdale & Soignier (APAC) audit report dated December 30, 2010 in connection with the audit of the financial statements of the Town of Newellton as of and for the year ended June 30, 2010.

10-01 Utility Fund Billings

Finding

The Town should implement policies to eliminate unnecessary write-offs of customer billings and employee receivables. Additionally, the Town should revisit the amount due from an employee to determine the appropriate amount due with specific corroborating documentation that supports the correct amount due. The Town should inform the employee of his need to pay this amount and give a deadline for payment. If not paid, then the Town should consult with its attorney to initiate collection proceedings.

As previously recommended, we again recommend that the Town should rotate meter reading amongst its employees to ensure that no personal/family relationships interfere with the Town's revenue cycle in the future as well as to ensure that all meters are read. It may be necessary to expand the supervisors role to checking on a random basis meter readings that have been turned in. A record should be maintained of this follow up procedure.

The Town should also implement a policy regarding the collection of past due accounts from an employee whereby the Town is authorized by the employee to withhold from his payroll check. This authorization has to be in place before the Town initiates withholding from an employees check. This policy should involve a service charge to discourage an employee from failing to pay his account and letting it be withheld from his check as a form of an automatic payment. If such an event occurs in the future where it is necessary to withhold an amount from an employee's check, the withheld amount should be remitted by check from the Town's checking account to the billing clerk for accurate posting and to maintain an audit trail.

The Town should also implement a policy regarding theft against the Town as punishable by immediate termination and the forfeiture of any amounts due to the employee for the repayment of the Town's loss.

Status

The Superintendent is rotating meter reading books amongst employees. He is reading all employee meters himself.

TOWN OF NEWELLTON
Newellton, Louisiana

Summary Status of Prior Year Findings
For the Year Ended June 30, 2011

The Mayor will receive written permission from employees if it should become necessary to withhold funds from paychecks.

10-02 Notification to Civil Authorities

Finding

The Town should advise the Louisiana Legislative Auditor in writing of the misappropriation in the utility billing department misappropriation as required by Louisiana Revised Statute 24:523. The District Attorney has been notified as required.

Status

In the future, the Town will notify the Legislative Auditor in writing, instead of depending on the Town Attorney to do so.

10-03 Accounting Records

Finding

The Town should review its accounting records periodically to ensure accurate reporting to the Board. Special attention should be paid to the Town's recording of receipts for receivables. The need for these entries can be eliminated in the future by a comparison of the billing software to the general ledger which should be done on a monthly basis.

Status

The Town will continue working with consultants monthly.

10-04 Local Budget Act

Finding

The Town did not comply with certain requirements of the Local Government Budget Act. Although a budget was adopted for fiscal year 2011, this budget was not adopted until July 13, 2010. Also, the amended budget for fiscal year 2010 was not adopted until this same date.

Status

The Clerk is making every effort to comply with adopting and finalizing the budget prior to dates required.

LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

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Lynn Andries, CPA
Esther Atteberry, CPA
Sandra Harrington, CPA
Lori Woodard, MBA, CPA

MANAGEMENT LETTER

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

In planning and performing our audit of the financial statements of the **Town of Newellton** (the Town) for the year ended June 30, 2011, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting or overall compliance with laws and regulations.

However, during our audit we became aware of a certain matter that is an opportunity for strengthening internal controls, operating efficiency and the overall environment for compliance with laws and regulations. This letter will summarize our comments and suggestions regarding that matter. This letter does not affect our report dated January 5, 2012 on the financial statements of the Town.

Employee Utility Billings

Finding

A rent house within the Town is owned by a Town employee. The employee/owner of the rent house works in the Town's office and holds a very control sensitive position with the Town. A water meter to the rent house was last read on June 15, 2010 as being 6,921 after the renter moved out. On June 16, 2010, the employee/owner had the water meter reactivated. The log book of the plant supervisor reflected the expected reading of 6,921 in the employee/owner's name (which is correct) on June 16, 2011.

On the July 7, 2010 meter reading sheet, both the old and new accounts were reflected with the renter's previous reading being reflected by the billing system as 6,921 and the employee/owner's new meter account being handwritten in by the meter reader as 6,921 which reflected the meter being on but the water was not being used at the house. Therefore, the charges that should have been billed to the new account (employee/owner) for the month would have been the minimum of \$40.20 which is \$26.00 for water and \$14.20 for sewer.

**Mayor Alex Davis
and Members of the Board of Aldermen
Town of Newellton
Management Letter
Page 2 of 3**

The August 10, 2010 meter reading sheet reflected only the renter's information from the billing system but marked out with "vacant" written across the renter's section. The sheet did not reflect the employee/owner's account which would have been the same meter.

The September 10, 2010 and the October 10, 2010 meter reading sheets did not reflect any data from either account; the renter which is no longer active, nor the employee/owner which is the current account.

The November 10, 2010 meter reading sheet reflected the meter as being used under the owner's number (which is correct) with an initial reading of 6,921 and ending reading of 6,968. At this point, a bill of \$60.02 was generated and was paid by the employee/owner. However, a bill was never generated by the Town for the months of July, August, September, and October for the minimum amount of \$40.20 for each month (or \$160.80 in total).

The Plant Supervisor noticed this discrepancy and informed the Mayor. The Mayor in turn communicated with the Town's attorney of the discrepancy. The Town's attorney is also the District Attorney. The District Attorney informed the Mayor to let the auditors look at it when they do their audit and he would see what needed to be done, if anything at that time.

It should also be noted that the Town has a policy when a customer requests the Town to temporarily cancel a service provided by the Town, the service is put on "vacation". Generally, this situation occurs during the summer months when a customer suspends their gas service. At this point, the customer is no longer charged the minimum monthly charge for the service to be available. When the customer requests the Town to reconnect the service, the Town charges the customer a reconnection fee which is currently \$20. However, we did not see any such documentation to support the account in question above as being put on "vacation".

Recommendation

The Town should bill the employee/owner the minimum amount for the four months that were never billed plus penalty and interest per the Town's policy.

Additionally, the Town should pursue a more formalized method of reporting the activity of the activating and de-activating customers which records the date of the change of service by the Utility Department and the Town Hall employees.

Management's Corrective Action Plan

The clerk will take the auditor's advice and keep a manual sheet on everyone putting their utilities on "vacation". The Town will take an in-depth look at this procedure to see if we can continue this practice, use some other method or discontinue. Due to some confusion on / in

**Mayor Alex Davis
and Members of the Board of Aldermen
Town of Newellton
Management Letter
Page 3 of 3**

activating and de-activating the documentation, the Town will bill the employee for the usage, interest and other penalties for the total amount.

Personnel Files

Finding

The Town does not have sufficient documentation on some of the twelve employees in the payroll folders. During our testing of support for payroll, we noted where one part-time employee did not have any withholding forms signed by the employee. Another employee was employed for six months of fiscal year 2011 did not have a pay rate amount authorization contained within the file.

Recommendation

At a minimum, the Town should accumulate data that supports the gross amount paid and the various amounts that are deducted. Folders should be retained on former employees according to applicable retention requirements.

Management's Corrective Action Plan

The Town will implement the recommendations cited above.

Huffey, Huffman, Roydale, & Simpson

(A Professional Accounting Corporation)

January 5, 2011