

TOWN OF NEWELLTON, LOUISIANA**Financial Report
As of and For the Year Ended June 30, 2013**

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 SEP 10 2014

TOWN OF NEWELLTON, LOUISIANA

**Financial Report
As of and For The Year Ended June 30, 2013**

TABLE OF CONTENTS

FINANCIAL SECTION	<u>Statement</u>	<u>Page</u>
Independent Auditor's Report		1
Required Supplemental Information (Part A) Management's Discussion and Analysis		5
Basic Financial Statements		
Government-Wide Financial Statements:		
Statement of Net Position	A	13
Statement of Activities	B	14
Fund Financial Statements:		
Balance Sheet – Governmental Funds	C	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	D	17
Statement of Revenues, Expenditures, and Changes In Fund Balances – Governmental Funds	E	18
Reconciliation of the Statement of Revenues, Expenditures, And Changes in Fund Balances of Governmental Funds to the Statement of Activities	F	19
Statement of Net Position – Proprietary Fund	G	20
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund	H	21
Statement of Cash Flows – Proprietary Fund	I	23
Notes to the Financial Statements		25

TOWN OF NEWELLTON, LOUISIANA

**Financial Report
As of and For The Year Ended June 30, 2013**

TABLE OF CONTENTS

	<u>Schedule</u>	<u>Page</u>
Required Supplemental Information (Part B)		
Budgetary Comparison Schedule General Fund	1	47
Other Supplemental Information		
Schedules of Net Position – Enterprise Fund	2	49
Schedules of Revenues, Expenses, and Changes in Net Position - Enterprise Fund	3	50
Schedules of Cash Flows – Enterprise Fund	4	51
Schedule of Changes in Restricted Assets	5	53
Schedule of Compensation Paid Aldermen	6	54

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	56
Schedule of Findings	58
Summary Status of Prior Year Findings	61

LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

John L. Luffey, MBA, CPA (1963-2002)
Francis I. Huffman, CPA
Philip A. Ragsdale, CPA
David Ray Solgnier, CPA, MBA, CGMA

John Herman, CPA
Lynn Andries, CPA, CGMA
Esther Atteberry, CPA
Lori Woodard, MBA, CPA, CGMA, CITP

INDEPENDENT AUDITOR'S REPORT

**Board of Aldermen
Town of Newellton
Newellton, Louisiana**

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Board of Aldermen
Town of Newellton**

Basis for Qualified Opinion

The financial statements of the Towns of Newellton and St. Joseph, Louisiana Jointly Owned Gas Line Operations and Maintenance Fund (the Joint Gas Line) have not been audited (see Note 13), and we were not engaged to audit the Joint Gas Line financial statements as part of our audit of the Town's basic financial statements. The Town's investment in and portion of revenue from Joint Gas Line's activities are included in the Town's basic financial statements and comprise 2 percent, 2 percent and 3 percent of the assets, net position, and revenues, respectively, of the Town's business-type activities.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion" paragraph, the business-type activities financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities (enterprise fund) for the Town of Newellton, Louisiana, as of June 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Town as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-11 and page 47 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.

**Board of Aldermen
Town of Newellton**

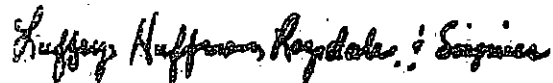
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The other supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2014, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



(A Professional Accounting Corporation)

March 26, 2014

**REQUIRED SUPPLEMENTAL INFORMATION
(PART A)**

Town of Newellton
Management's Discussion and Analysis (MD&A)
June 30, 2013

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, 2013. 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 \$5,223,672 (net position).
 - ✓ Of this amount \$4,646,347 represented a restriction equal to the net amount invested in land, building, and equipment, \$75,275 for debt service, and \$47,648 for depreciation and contingencies.
 - ✓ The remainder of \$454,402 of unrestricted net position could be used by the Town's ongoing obligations to citizens and creditors.
- The Town's total net position decreased by \$100,697.
- As of the close of the current fiscal year, the Town of Newellton's governmental funds reported combined ending fund balances of \$72,972, a decrease of \$19,813 in comparison with the prior year. Of this total amount, \$69,065 is available for spending at the government's discretion (*unassigned fund balance*).
- The Town of Newellton's total debt decreased by \$220,417 during the current fiscal year.

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

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in 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 13 and 14 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 one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund.

The Town of Newellton adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided on page 44 for the General Fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 16 and 18 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 20 through 24 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 25 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 the budget for its major governmental fund.

Government-wide Financial Analysis. Net position 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 \$5,223,672 at June 30, 2013. The combined net position decreased by \$100,697 between fiscal years 2012 and 2013.

Capital assets consisting of land, buildings, machinery and equipment and the water system, sewer system and gas system account for the majority of the Town's net position of \$5,223,672. Capital assets (\$8,542,349), net of depreciation (\$3,794,838) and related debt included in net position (\$101,164) total \$4,646,347. 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 Position
As of June 30, 2013 and 2012

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 74,502	\$ 104,129	\$ 612,145	\$ 817,456	\$ 686,647	\$ 921,585
Capital assets	<u>773,407</u>	<u>841,515</u>	<u>3,974,104</u>	<u>4,012,145</u>	<u>4,747,511</u>	<u>4,853,660</u>
Total assets	<u>847,909</u>	<u>945,644</u>	<u>4,586,249</u>	<u>4,829,601</u>	<u>5,434,158</u>	<u>5,775,245</u>
Current and other liabilities	1,530	11,344	138,956	158,107	140,486	169,451
Long-term liabilities	-	-	70,000	281,426	70,000	281,426
Total liabilities	<u>1,530</u>	<u>11,344</u>	<u>208,956</u>	<u>439,533</u>	<u>210,486</u>	<u>450,877</u>
Net investment in						
capital assets	773,407	841,515	3,872,940	3,688,987	4,646,347	4,530,502
Restricted	-	15,507	122,924	149,646	122,924	165,153
Unrestricted	<u>72,972</u>	<u>77,279</u>	<u>381,429</u>	<u>551,435</u>	<u>454,401</u>	<u>628,714</u>
Total net position	<u>\$ 846,379</u>	<u>\$ 934,301</u>	<u>\$ 4,377,293</u>	<u>\$ 4,390,068</u>	<u>\$ 5,223,672</u>	<u>\$ 5,324,369</u>

Net position of the Town's governmental activities decreased 9.4% to approximately \$846,000. Net position of the Town's business-type activities decreased 0.3% to approximately \$4.4 million.

Changes in net position. The Town's total revenue increased by approximately \$12,000 to approximately \$1.05 million (see Table 2). Approximately 65% of the Town's revenue comes from charges for services and 21% comes from other general revenues

The total cost of programs and services decreased approximately \$22,000 or 1.9%. The Town's expenses cover all services performed by its office.

Governmental Activities

Revenues for the Town's governmental activities increased approximately \$21,000 or 4.9% due to an increase in transfers in. Total expenses increased by approximately \$30,000 or 6%.

Expenses are classified by functions/programs. Public works accounts for approximately 39% or \$211,000, while public safety and general government account for approximately 31% and 30% or \$166,000 and \$163,000, respectively, for the fiscal year 2013.

Table 2
Changes in Net Position
Fiscal Years Ended June 30, 2013 and 2012

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues						
Program Revenues:						
Charges for services	\$ 76,914	\$ 76,412	\$ 597,763	\$ 584,026	\$ 674,677	\$ 660,438
Operating grants and contributions	38,880	38,880	-	-	38,880	38,880
Capital Grants and contributions	-	-	105,000	48,725	105,000	48,725
General Revenues:						
Property taxes	59,033	59,445	-	-	59,033	59,445
Sales taxes	55,171	75,588	-	-	55,171	75,588
Other taxes	2,611	2,737	-	-	2,611	2,737
Other general revenues	85,725	95,521	29,496	56,901	115,221	152,422
Transfers	134,400	83,000	(134,400)	(83,000)	-	-
Total revenues	<u>452,734</u>	<u>431,583</u>	<u>597,859</u>	<u>606,652</u>	<u>1,050,593</u>	<u>1,038,235</u>
Expenses:						
General government	163,202	158,047	-	-	163,202	158,047
Public safety	166,263	148,262	-	-	166,263	148,262
Public works	210,991	204,339	-	-	210,991	204,339
Capital outlay	200	-	-	-	200	-
Interest on long-term debt	-	-	13,740	17,948	13,740	17,948
Water, sewer, and gas expenses	-	-	596,894	645,065	596,894	645,065
Total expenses	<u>540,656</u>	<u>510,648</u>	<u>610,634</u>	<u>663,013</u>	<u>1,151,290</u>	<u>1,173,661</u>
Increase (decrease) in position	<u>\$ (87,922)</u>	<u>\$ (79,065)</u>	<u>\$ (12,775)</u>	<u>\$ (56,361)</u>	<u>\$ (100,697)</u>	<u>\$ (135,426)</u>

The related program revenues for fiscal year 2013 directly related to these expenses totaled \$115,794, which resulted in net program expense of \$424,862. 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 \$56,000 of general fund revenue.
- Sales taxes provide approximately \$55,000 in general fund revenue.

Business-type activities

Business-type activities decreased the Town of Newellton's net position by approximately \$13,000.

Revenues decreased approximately 1% to \$598,000 and expenses of the Town's business-type activities decreased approximately 8% to \$611,000.

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 \$72,972, a decrease of \$19,813 in comparison with the prior year. Approximately 95% of this total amount (\$69,065) constitutes unassigned fund balance, which is available for spending at the Town's discretion.

General Fund Budgetary Highlights

In accordance with Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA- R.S 39:1301 et seq), the Town of Newellton must adopt a budget for the General Fund prior to June 30. The original budget for the Town was adopted on April 18, 2012, and the final budget amendment was adopted on June 12, 2013.

Original budget compared to final budget. The General Fund original budget forecasted a negative fund balance at year end which was corrected with the amendment. The amendment increased taxes, charges and license and permit revenues modestly, decreased intergovernmental revenue significantly and increased fines and forfeitures for a net increase of \$12,225. Charges for appropriations were likewise revised with General Government and Capital outlay being significantly decreased and Public works and Police departments slightly increased for a net decrease of \$50,750.

Final budget compared to actual results. General fund revenue actual amounts were lower than revised in most classifications but transfers in were in excess of final budget by \$47,400 resulting in a net increase of actual over revised budget of approximately \$6,600. Likewise, most appropriations were in excess of revised budget but these shortfalls were offset by actual capital outlay less than revised budget. Total actual charges to appropriations were less than revised budget by \$5,903.

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, 2013, amounts to \$4,747,511 (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 was primarily comprised of Town signage. Also, \$108,128 of water plant/system improvements was added to the business-type activities during the current fiscal year. In addition, depreciation expense totaled \$225,526.

Table 3 presents capital assets net of depreciation at June 30, 2013 and 2012.

Table 3
Capital Assets
As of June 30, 2013 and 2012

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 1,000	\$ 1,000	\$ 19,650	\$ 19,650	\$ 20,650	\$ 20,650
Buildings	536,726	536,726	-	-	536,726	536,726
Vehicles	324,735	324,735	-	-	324,735	324,735
Furniture and equipment	91,649	89,150	140,620	140,621	232,269	229,771
Signage	8,750	-	-	-	8,750	-
Water system	-	-	2,687,797	2,579,669	2,687,797	2,579,669
Sewer system	-	-	2,876,474	2,876,474	2,876,474	2,876,474
Gas system	-	-	1,337,455	1,337,454	1,337,455	1,337,454
Streets and drainage	517,493	517,493	-	-	517,493	517,493
Total	1,480,353	1,469,104	7,061,996	6,953,868	8,542,349	8,422,972
Less: accumulated depreciation	(706,946)	(627,589)	(3,087,892)	(2,941,723)	(3,794,838)	(3,569,312)
Total Capital Assets	\$ 773,407	\$ 841,515	\$ 3,974,104	\$ 4,012,145	\$ 4,747,511	\$ 4,853,660

Long-Term Debt. The Town had revenue bonds outstanding of \$100,000 at the end of June 2013 as compared to \$320,417 at the end of June 2012. The large decrease is a result of the Town paying off its largest bond of \$190,417, 14 years early. 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 2014 fiscal revealed no major expected changes in the ad valorem tax base or sales tax collections as compared to prior year. Also, there were no major changes in expenditures budgeted.

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 Position

June 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 49,327	\$ 99,168	\$ 148,495
Investments	-	221,127	221,127
Receivables	10,721	73,163	83,884
Due from other governmental units	10,547	-	10,547
Prepaid expenses	3,907	4,900	8,807
Restricted assets			
Cash	-	122,923	122,923
Capital assets, net	773,407	3,974,104	4,747,511
Investment in jointly owned gas operations and maintenance fund	-	90,864	90,864
Total Assets	847,909	4,586,249	5,434,158
Liabilities			
Accounts payable and accrued expenses	4,179	15,647	19,826
Payroll liabilities	7,100	3,757	10,857
Internal balances	(9,749)	9,749	-
Deposits held and customer prepayments	-	78,639	78,639
Accrued interest payable	-	1,164	1,164
Long-term liabilities			
Due within one year	-	30,000	30,000
Due in more than one year	-	70,000	70,000
Total Liabilities	1,530	208,956	210,486
Net Position			
Net investment in capital assets	773,407	3,872,940	4,646,347
Restricted for			
Debt service	-	75,275	75,275
Depreciation and contingency	-	47,648	47,648
Unrestricted	72,972	381,430	454,402
Total Net Position	\$ 846,379	\$ 4,377,293	\$ 5,223,672

The accompanying notes are an integral part of this statement.

TOWN OF NEWELLTON
Newellton, Louisiana

Statement of Activities

For the Year Ended June 30, 2013

	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
Functions/Programs						
Primary government						
Governmental activities						
General government	163,202	-	-	-	\$ (163,202)	\$ (163,202)
Public safety	166,263	-	-	-	(166,263)	(166,263)
Public works	210,991	76,914	38,880	-	(95,197)	(95,197)
Capital outlay	200	-	-	-	(200)	(200)
Total governmental activities	540,656	76,914	38,880	-	(424,862)	(424,862)
Business-type activity						
Utility fund	596,894	597,763	-	105,000	-	105,869
Interest and fiscal charges on long-term debt	13,740	-	-	-	-	(13,740)
Total business-type activities	610,634	597,763	-	105,000	-	92,129
Total primary government	\$ 1,151,290	\$ 674,677	\$ 38,880	\$ 105,000	(424,862)	92,129
General revenues						
Taxes						
Ad valorem taxes					59,033	59,033
Sales taxes					55,171	55,171
Other taxes					2,611	2,611
Video poker					11,546	11,546
Licenses and permits					56,399	56,399
Fines and forfeitures					30,542	30,542
Interest and investment earnings					138	1,981
Other					2,560	7,518
Income from jointly owned gas operations and maintenance fund					-	20,135
Return of unexpended funds					(15,460)	(15,460)
Transfers in (out)					134,400	(134,400)
Total general revenues					336,940	(104,904)
Change in net position					(87,922)	(12,775)
Net position at beginning of year					934,301	4,390,068
NET POSITION AT END OF YEAR					\$ 846,379	\$ 4,377,293
						\$ 5,223,672

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

TOWN OF NEWELLTON
Newellton, Louisiana
Governmental Funds
Balance Sheet
June 30, 2013

		<u>Major Fund</u> <u>General</u> <u>Fund</u>
ASSETS		
Cash and cash equivalents	\$	49,327
Receivables		
Sales taxes		5,602
Other receivables		5,119
Due from other governmental units		10,547
Prepaid Expenses		3,907
Due from other fund		9,749
TOTAL ASSETS	\$	<u>84,251</u>
LIABILITIES AND FUND EQUITY		
Liabilities		
Accounts payable	\$	4,179
Payroll liabilities		7,100
Total liabilities		<u>11,279</u>
Fund equity		
Fund balance		
Nonspendable: Prepaid Expenses		3,907
Unassigned		69,065
Total fund balance		<u>72,972</u>
TOTAL LIABILITIES AND FUND EQUITY	\$	<u>84,251</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 Position
June 30, 2013

Fund balance - total governmental funds	\$	72,972
 Amounts reported for governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Governmental capital assets	\$	1,480,353
Less: accumulated depreciation		<u>(706,946)</u>
		<u>773,407</u>
 Net position of governmental funds	 \$	 <u>846,379</u>

The accompanying notes are an integral part of this statement.

TOWN OF NEWELLTON
Newellton, Louisiana
Governmental Funds
Statement of Revenues, Expenditures,
and Changes in Fund Balance
For the Year Ended June 30, 2013

	Major Fund
	General
	Fund
Revenues	
Taxes	
Ad valorem	\$ 59,033
Sales	55,171
Charges for services	76,914
Commissions for services	18,348
Licenses and permits	38,051
Intergovernmental	
State	14,157
Local	38,880
Fines and forfeitures	30,542
Use of money and property	138
Other revenues	2,560
Total Revenues	333,794
Expenditures	
Current	
General government	156,850
Public safety-police	138,687
Public safety-fire	430
Public works	165,131
Capital outlay	11,449
Total Expenditures	472,547
Excess (Deficiency) of Revenues	(138,753)
Other Financing Sources / (Uses)	
Return of unexpended funds	(15,460)
Transfers in	134,400
Total Other Financing Sources / (Uses)	118,940
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(19,813)
Fund Balance at Beginning of Year	92,785
FUND BALANCE AT END OF YEAR	\$ 72,972

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 Balance
of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2013**

Net change in fund balance - total governmental funds	\$	(19,813)
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	\$	11,249
Depreciation expense		(79,358)
		(68,109)
Change in net position of governmental activities	\$	(87,922)

The accompanying notes are an integral part of this statement.

TOWN OF NEWELLTON
Newellton, Louisiana

Business-type Activities - Proprietary Fund
Statement of Net Position
June 30, 2013

	Major Fund
	Utility Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 99,168
Investments	221,127
Accounts receivable - net	73,163
Prepaid expenses	4,900
Total current assets	398,358
Restricted assets	
Cash and cash equivalents	122,923
Total restricted assets	122,923
Capital assets	
Non-depreciable	19,650
Depreciable	7,042,346
Total capital assets	7,061,996
Accumulated depreciation	(3,087,892)
Net capital assets	3,974,104
Other assets	
Investment in jointly owned gas operations and maintenance fund	90,864
Total assets	\$ 4,586,249
LIABILITIES AND NET POSITION	
Current liabilities	
Accounts payable and accrued expenses	\$ 15,647
Payroll liabilities	3,757
Due to other funds	9,749
Total current liabilities	29,153
Liabilities payable from restricted assets	
Accrued interest payable	1,164
Current portion of revenue bonds payable	30,000
Total restricted liabilities	31,164
Noncurrent liabilities	
Customer deposits and customer prepayments	78,639
Revenue bonds payable	70,000
Total noncurrent liabilities	148,639
Total liabilities	208,956
Net position	
Net investment in capital assets	3,872,940
Restricted for	
Debt service	75,275
Depreciation and contingency	47,648
Unrestricted	381,430
Total net position	4,377,293
Total liabilities and net position	\$ 4,586,249

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

TOWN OF NEWELLTON
Newellton, Louisiana

Business Type Activity - Proprietary Fund
Statement of Revenues, Expenses, and Changes in
Net Position
For The Year Ended June 30, 2013

	<u>Major Fund</u> <u>Utility Fund</u>
OPERATING REVENUES	
Water sales	\$ 239,306
Gas sales	205,997
Sewerage fees	134,844
Plumbing fees	1,736
Penalties	15,880
Total operating revenues	<u>597,763</u>
OPERATING EXPENSES	
Bad debts	1,216
Computer consultants	3,008
Depreciation	146,169
Dues and subscriptions	3,726
Engineering	5,542
Equipment	11,939
Gas purchases	97,610
Insurance - general	18,502
Legal and audit	21,994
Miscellaneous expenses	1,129
Office supplies	6,311
Postage	3,547
Salaries and related benefits	149,319
Supplies-plant	20,268
Supplies and expenses-gas	3,224
Supplies and expenses-sewer	10,554
Supplies and expenses-water	48,288
Telephone	9,482
Travel and meetings	3,564
Utilities	31,502
Total operating expenses	<u>596,894</u>

(Continued)

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

TOWN OF NEWELLTON
Newellton, Louisiana

Business Type Activity - Proprietary Fund
Statement of Revenues, Expenses, and Changes in
Net Position (Concluded)
For The Year Ended June 30, 2013

	<u>Major Fund</u> <u>Utility Fund</u>
Operating Income	869
NONOPERATING REVENUES (EXPENSES)	
Grants	105,000
Interest earnings	1,843
Income from jointly owned gas line	20,135
Other nonoperating revenues	7,518
Interest expense	<u>(13,740)</u>
Total nonoperating revenue (expenses)	<u>120,756</u>
Income (loss) before operating transfers	121,625
OPERATING TRANSFERS	
Transfers out	<u>(134,400)</u>
Net transfers	<u>(134,400)</u>
Net income (loss)	(12,775)
Net Position beginning of year	<u>4,390,068</u>
Net Position end of year	<u>\$ 4,377,293</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Business-type Activity - Enterprise Fund
Statement of Cash Flows
For the Year Ended June 30, 2013

	<u>Major Fund</u> <u>Utility Fund</u>
Cash flows from operating activities	
Cash received from customers	\$ 606,317
Cash paid for employee services	(147,679)
Cash payments to suppliers for goods and services	(324,720)
Net cash provided by operating activities	<u>133,918</u>
Cash flows from noncapital financing activities	
Transfers to general fund from the utility fund	<u>(134,400)</u>
Net cash used in noncapital financing activities	<u>(134,400)</u>
Cash flows from capital and related financing activities	
Grant received for acquisition of capital assets	105,000
Acquisition of capital assets	(108,128)
Principal paid on debt	(220,417)
Interest paid on debt	(15,316)
Net cash used for financing activities	<u>(238,861)</u>
Cash flows from investing activities	
Sales of investments	77,483
Receipt of other nonoperating proceeds	7,518
Interest received on investments	1,843
Net cash provided by investing activities	<u>86,844</u>
Net decrease in cash	(152,499)
Cash and cash equivalents, beginning of year	<u>374,590</u>
Cash and cash equivalents, end of year	<u>\$ 222,091</u>
Shown on the accompanying statement of net assets as	
Current assets: Cash and cash equivalents	\$ 99,168
Restricted assets: Cash and cash equivalents	<u>122,923</u>
Total	<u>\$ 222,091</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, 2013

	<u>Major Fund</u> <u>Utility Fund</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 869
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	146,169
Bad debt expense	1,216
Change in assets and liabilities	
Accounts receivable	(3,679)
Prepaid expenses	(2,074)
Accounts payable and accrued liabilities	(22,454)
Payroll liabilities	1,638
Due to other funds	11,112
Customer deposits	<u>1,121</u>
Net cash provided by operating activities	<u>\$ 133,918</u>
 Supplemental disclosure of noncash capital investing activities	
Increase in the investment of the jointly owned gas operations and maintenance fund	\$ <u>20,135</u>
Total noncash capital investing activities	<u>\$ 20,135</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2013

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 an enterprise fund to provide gas, sewerage and water services.

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

GASB Statement No. 61 established criteria for determining which component units should be considered part of the Town for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is accountability. These criteria include:

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

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2013

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

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

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

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

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2013

Fund Financial Statements

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

Emphasis of fund reporting is on the major fund level in either the governmental or business-type categories. Non-major funds (by category) or fund type are 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 governmental fund and proprietary fund categories. The fund types used by the Town are described as follows:

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

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

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

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

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2013

column in government-wide financial statements and the major funds section of the fund financial statements.

Revenues:

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

Ad valorem taxes attach as enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October of each year and are actually billed to the taxpayer in November. Billed taxes become delinquent on January 1 of the year following the year in which the taxes are due. Revenues from ad valorem taxes are budgeted in the year billed to the extent of collections expected. The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of Tensas Parish. The ad valorem tax millage for fiscal year 2013 is 20.750 mills and is for general corporate purposes.

Sales taxes are considered "measurable" when in the hands of the intermediary collecting governments and are recognized as revenue at that time.

Interest earnings on time deposits are recognized as revenue when the time deposits have matured and the interest is available. Substantially all other revenues are recognized when actually received by the Town.

Operating revenues consist of taxes, fees for service provided, commissions for services, licenses and permits, intergovernmental revenues, fines and other miscellaneous revenues. All revenues not meeting the previously mentioned definitions are reported as nonoperating revenues.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2013

Expenditures and Expenses:

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

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

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

Proprietary Funds:

The Enterprise Fund is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Rates 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 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.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2013

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 resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.
4. All legally adopted budgets of the Town are adopted on a basis consistent with GAAP. A budget is adopted for the General Fund. Encumbrance accounting is not used by the Town.

For the year ended June 30, 2013, the Town adopted a budget for the General Fund on April 18, 2012 and was amended on June 12, 2013.

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. The Town's investment policy is to only have certificates of deposit.

Interfund Receivables and Payables

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

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2013

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.

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, 2013.

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

Water, Sewer and Gas Systems	50 – 99
Buildings	20 – 30
Equipment	3 – 10
Signage	10
Infrastructure Streets and Drainage	15

Long-Term Liabilities

In the government-wide statement of net position 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.

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.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2013

Fund Equity of Fund Financial Statements

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

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

Restricted: Fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers such as federal or state regulations for future use or through enabling legislation and are, therefore, not available for future appropriation or expenditure.

The Town's Downtown Revitalization checking account was 100% restricted for expenditures related to downtown revitalization. However, the funds in this account were returned to the United States Department of Agriculture during fiscal year 2013 due to lack of interest in this program. Therefore, at the end of fiscal year 2013, the Town does not have any such fund balances.

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

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

Unassigned: Fund balance that is the residual classification for the general fund. The Town has not established benchmarks for unassigned fund balance requirements.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2013

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.

Net Position

In the government-wide statements, equity is classified as net position and displayed in three components:

Net investment in capital assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of these assets.

Restricted net position: Consists of net resources with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation.

Unrestricted net position: All other net resources that do not meet the definition of "restricted" or "net investment in capital assets".

The Board of Aldermen has not established a formal policy regarding the order of spending net position when both restricted and unrestricted resources are available for use but informally, restricted resources are used first and followed by unrestricted if needed. Restricted net position reported in the Statement of Net Position as restricted for debt service and restricted for depreciation and contingency are as a result of externally imposed restrictions by its creditors.

E. 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 \$15,362 for the year ended June 30, 2013.

**TOWN OF NEWELLTON
Newellton, Louisiana**

**Notes To Financial Statements
As of and For The Year Ended June 30, 2013**

F. 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 \$6,832 has been set up for the year ended June 30, 2013.

G. 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.

H. 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.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2013

Note 2 - Cash, cash equivalents and investments

At June 30, 2013, the Town has cash, cash equivalents and investments totaling \$492,545, with \$139 in petty cash, \$271,279 in demand deposits and \$221,127 in certificates of deposit.

Deposits are stated at cost, which approximates fair value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Interest rate risk – The Town’s policy does not address interest rate risk.

Credit Risk – The Town’s policy does not address credit risk.

Custodial credit risk – The custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town’s policy to ensure there is no exposure to this risk is to require each financial institution to pledge its’ own securities to cover any amount in excess of Federal Depository Insurance Coverage. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent bank has failed to pay deposited funds upon demand.

At year-end, the Town’s carrying amount of deposits, including cash equivalents was \$492,545 and bank balances of \$503,867. Of the bank balance, \$250,000 is covered by federal depository insurance and \$253,867 by pledged securities. Accordingly, the Town had no custodial credit risk related to its deposits at June 30, 2013.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2013

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 \$83,884 as of June 30, 2013 and are comprised of the following:

	General Fund	Utility Fund	Total
Accounts Receivable			
Sales taxes	\$ 5,602	\$ -	\$ 5,602
Franchise Fees	3,965	-	3,965
Returned checks	1,154	2,130	3,284
Customer receivables	-	77,865	77,865
Less: Allowance for doubtful accounts	-	(6,832)	(6,832)
Total	\$ 10,721	\$ 73,163	\$ 83,884

The Town has 430 residential and 52 commercial water customers and 423 residential and 47 commercial sewer customers. The Town also serves 260 residential and 62 commercial gas customers.

A substantial portion (93%) of the \$77,865 in utility customer receivables are current and are classified as follows: Water, \$28,562; Gas, \$24,586; Sewer, \$16,094 and Other, \$8,623.

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:

1. The payment of the reasonable and necessary expenses of administering, operating, repairing and insuring the System;

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2013

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.

Restricted Net Position was composed of the following as of June 30, 2013:

	Cash and Cash <u>Equivalents</u>
1976 Water and Gas Revenue Bonds	
Bond and Interest Redemption Fund	\$ 52,247
Bond Reserve Fund	23,028
Depreciation and Contingency Fund	<u>47,648</u>
Total - Utility Fund	<u>\$ 122,923</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2013

Note 5 - Changes in Capital Assets

The following schedule presents changes in capital assets for the year ended June 30, 2013.

	Balance 6/30/2012	Additions	Deletions	Balance 6/30/2013
Governmental Activities				
Nondepreciable assets				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Total nondepreciable assets	1,000	-	-	1,000
Depreciable assets				
Building	50,300	-	-	50,300
Vehicles	324,735	-	-	324,735
Furniture and equipment	89,150	2,499	-	91,649
Fire station	486,426	-	-	486,426
Signage	-	8,750	-	8,750
Streets and drainage	517,493	-	-	517,493
Total depreciable assets	1,468,104	11,249	-	1,479,353
Less accumulated depreciation	(627,589)	(79,357)	-	(706,946)
Net governmental activities capital assets	\$ 841,515	\$ (68,108)	\$ -	\$ 773,407
Business-type activities				
Nondepreciable assets				
Land	\$ 19,650	\$ -	\$ -	\$ 19,650
	19,650	-	-	19,650
Depreciable assets				
Water system	2,579,669	108,128	-	2,687,797
Sewer system	2,876,474	-	-	2,876,474
Gas system	1,328,027	-	-	1,328,027
Gas pipeline	9,428	-	-	9,428
Service equipment	132,354	-	-	132,354
Office equipment	8,266	-	-	8,266
Total depreciable assets	6,934,218	108,128	-	7,042,346
Less accumulated depreciation	(2,941,723)	(146,169)	-	(3,087,892)
Net business-type capital assets	\$ 4,012,145	\$ (38,041)	\$ -	\$ 3,974,104

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2013

Detailed records of capital assets acquired prior to June 30, 1974, are not available. Estimation of the cost of these assets was made through examinations of bond and grant proceeds for construction and additions, and discussion with elected officials and 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 \$79,357 was charged to governmental activities as follows: General Government, \$6,352; Public Safety, \$27,146; Public Works, \$10,508; and Streets and Drainage, \$35,351. Depreciation of \$146,169 as of June 30, 2013, was charged to expense in the utility fund.

Note 6 - Investment in Joint 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 but its accounting is handled by the Town of St. Joseph. Each of the Towns own 50% of the net worth of the joint venture. This amount is shown as an asset called Investment in Joint Gas Line. (Also see Note 13) Summary financial information for the joint venture at June 30, 2013, and for the year then ended, is as follows:

	<u>Unaudited</u>
Total assets	\$ 200,062
Total liabilities	<u>(18,334)</u>
Total fund equity	<u>\$ 181,728</u>
Total revenues	\$ 269,594
Total cost of sales	<u>(186,521)</u>
Gross profit	83,073
Operating expenses	<u>(42,992)</u>
Nonoperating revenue	<u>188</u>
Net income	40,269
Net assets, beginning of year	<u>141,459</u>
Net assets, end of year	<u>\$ 181,728</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2013

Note 7 - Long-Term Debt

The following is a summary of long term-debt transactions of the Town for the year ended June 30, 2013:

	Business-Type Activities - Revenue Bonds			
	1976 Bonds \$550,000	1976 Bonds \$100,000	1988 Bonds \$315,000	Total
Balance, June 30, 2012	\$ 110,000	\$ 20,000	\$ 190,417	\$ 320,417
Additions	-	-	-	-
Retirements	(25,000)	(5,000)	(190,417)	(220,417)
Balance, June 30, 2013	\$ 85,000	\$ 15,000	\$ -	\$ 100,000

Bonds payable at June 30, 2013 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%	\$ 85,000
\$100,000 Bonds dated April 6, 1976; due in annual installments of \$5,250 - \$6,250, through April 6, 2016; interest at 5%	15,000
Total Revenue Bonds - Utilities Enterprise Fund	\$ 100,000

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

Fiscal Year Ended June 30,	Business-Type Activities		
	Principal	Interest	Total
2014	\$ 30,000	\$ 5,000	\$ 35,000
2015	35,000	3,500	38,500
2016	35,000	1,750	36,750
	\$ 100,000	\$ 10,250	\$ 110,250

For the fiscal year ended June 30, 2013, the amount of interest charged to expense was \$13,740 for revenue bonds.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2013

During fiscal year 2013, the Town paid off the remaining \$190,417 of its 1988 bond series which reduced its interest payments over the next 14 years by \$181,425 for an economic gain of \$176,118.

Note 8 - Interfund Receivables and Payables

Individual fund interfund receivables and payables at June 30, 2013, are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 9,749	\$ -
Utility Enterprise Fund	-	9,749
Total	\$ 9,749	\$ 9,749

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

Note 9 - Interfund Transfers

Individual fund transfers in and out at June 30, 2013 are as follows:

	Operating Transfers	
	In	Out
General Fund	\$ 134,400	\$ -
Enterprise Fund	-	134,400
Total	\$ 134,400	\$ 134,400

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, 2013, the Town made transfers of \$134,400 from the Utility Fund to the General Fund to cover the cash short fall in the General Fund.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2013

Note 10 - Employee Retirement Systems

Substantially all employees of the Town of Newellton are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana, and the Municipal Police Employees Retirement System of Louisiana. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

Municipal Employees' Retirement System of Louisiana (MERS)

Plan Description. MERS is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All participants of the Town are covered by Plan A.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials who were serving on January 1, 1997, are eligible to participate in MERS. Those serving after January 1, 1997, with the exception of the mayor, are not eligible to participate in MERS. For municipalities that joined MERS prior to May 9, 2001, the mayors are required to be members of MERS. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, or at any age with at least 25 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final compensation for each year of creditable service.

"Final compensation" for a member whose first employment making him eligible for membership in MERS began on or before June 30, 2008, means a member's average monthly earnings during the highest paid thirty-six consecutive months or joined months if service was interrupted. However, the earnings to be considered for the thirteenth through the twenty-fourth month may not exceed one hundred and twenty-five percent of the earnings for the first through the twelfth month and the earnings to be considered for the final twelve months may not exceed one hundred and twenty-five percent of the earnings of the thirteenth through the twenty-fourth month.

"Final compensation" for a member whose first employment making him eligible for membership in MERS began on or after July 1, 2008, means a member's average monthly earnings, during the highest paid sixty consecutive months or joined months if service was interrupted. However, the earnings to be considered for the thirteenth through the twenty-fourth month may not exceed one hundred and twenty-five percent of the earnings for the first through the twelfth months. The earnings to be considered for the twenty-fifth through the thirty-sixth month may not exceed one hundred twenty-five percent of the earnings for the thirteenth through the twenty-fourth months. The earnings for the thirty-seventh through the forty-eighth month may not exceed one

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2013

hundred and twenty-five percent of the earnings of the twenty-fifth through the thirty-sixth months. The earnings for the forty-ninth through the sixtieth months may not exceed one hundred twenty-five percent of the earnings of the thirty-seventh through the forty-eighth months.

Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. MERS also provides death and disability benefits. Benefits are established or amended by state statute.

MERS issues an annual publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70806, or by calling (225) 929-4810.

Funding Policy. Under Plan A, members are required by state statute to contribute 9.25 percent of their annual covered salary and the Town of Newellton is required to contribute at an actuarially determined rate. The current rate is 17 percent of annual covered payroll. Contributions to MERS also include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town of Newellton are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Newellton's contributions to MERS under Plan A for the years ending June 30, 2013, 2012 and 2011, were \$36,548, \$36,432 and \$28,806, respectively, equal to the required contributions for each.

Municipal Police Employees Retirement System of Louisiana (MPERS)

Plan Description. All full-time police department employees engaged in law enforcement are required to participate in MPERS. Employees who retire with 25 years or more at any age, at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 percent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the age specified previously and

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2013

receive the benefit accrued to their date of termination. MPERS also provides death and disability benefits. Benefits are established or amended by state statute.

MPERS issues an annual publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

Funding Policy. Plan members are required by state statute to contribute 10.00 percent of their annual covered salary and the Town of Newellton is required to contribute at an actuarially determined rate. The current rate is 31 percent of annual covered payroll. The contribution requirements of plan members and the Town of Newellton are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Newellton's contributions to MPERS for the years ending June 30, 2013, 2012 and 2011, were \$6,754, \$5,457 and \$6,079.

Note 11 - 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 2013 the Town purchased \$97,610 of natural gas from the Joint Gas Line and owed it \$2,970 as of June 30, 2013.

Note 12 - 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 coverage and provides coverage of up to \$500,000 for each type of insured risk. Premiums for coverage are retroactively rated based on experience and premiums are calculated based on the ultimate cost of the experience to date of the pool participants.

**TOWN OF NEWELLTON
Newellton, Louisiana**

**Notes To Financial Statements
As of and For The Year Ended June 30, 2013**

Note 13 - Subsequent Events

Management has evaluated events through March 26, 2014, the date which the the financial statements were available for issue. We noted the following items to be reported as subsequent events:

Payoff of long-term debt

On December 27, 2013, the Town paid off its final two remaining revenue bonds, both from 1976 with original maturity dates of April 2016 resulting in a savings of \$6,611.

Joint Gas Line Issue

Through its legal counsel, the Town is in the process of filing suit against the Town of St. Joseph in order to obtain operational control of the Joint Gas Line from the Town of St. Joseph due to the inability of the Joint Gas Line's auditors to issue an opinion on the Joint Gas Line's financial statements and due to the Town of St. Joseph being engaged in obstreperous action with respect to the supplier of the gas. The Town's legal counsel expects the Town to be successful in this matter.

**REQUIRED SUPPLEMENTARY INFORMATION
(PART B)**

TOWN OF NEWELLTON
Newellton, Louisiana

General Fund
Budgetary Comparison Schedule (GAAP Basis)

Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Budgetary fund balance at beginning of year	\$ 72,358	\$ 92,785	\$ 92,785	\$ -
Resources (inflows)				
Ad valorem taxes	65,000	66,000	59,033	(6,967)
Sales and other taxes	40,000	41,000	55,171	14,171
Charges for services	65,000	75,000	76,914	1,914
License and permits				
Franchise revenue	26,000	32,000	18,348	(13,652)
Occupational & other licenses	25,000	28,000	38,051	10,051
Intergovernmental revenue	100,380	82,000	53,037	(28,963)
Fines and forfeitures	25,000	35,000	30,542	(4,458)
Interest income	200	105	138	33
Miscellaneous	300	-	2,560	2,560
Total revenues	<u>346,880</u>	<u>359,105</u>	<u>333,794</u>	<u>(25,311)</u>
Return of unexpended funds	-	-	(15,460)	(15,460)
Transfers in	50,000	87,000	134,400	47,400
	<u>50,000</u>	<u>87,000</u>	<u>118,940</u>	<u>31,940</u>
Total resources (inflows)	<u>396,880</u>	<u>446,105</u>	<u>452,734</u>	<u>6,629</u>
Amounts available for appropriations	<u>469,238</u>	<u>538,890</u>	<u>545,519</u>	<u>6,629</u>
Charges to appropriations (outflows)				
Current:				
General government	183,900	147,750	156,850	(9,100)
Public safety				
Police department	128,000	129,400	138,687	(9,287)
Fire department	1,800	650	430	220
Public works	163,500	165,650	165,131	519
Capital outlay	52,000	35,000	11,449	23,551
Total charges to appropriations (outflows)	<u>529,200</u>	<u>478,450</u>	<u>472,547</u>	<u>5,903</u>
Budgetary fund balance at end of year	\$ <u>(59,962)</u>	\$ <u>60,440</u>	\$ <u>72,972</u>	\$ <u>12,532</u>

OTHER SUPPLEMENTAL INFORMATION

TOWN OF NEWELLTON
Newellton, Louisiana

Schedules of Net Position - Enterprise Fund
June 30, 2013 and 2012

	2013	2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 99,168	\$ 224,945
Investments	221,127	298,610
Accounts receivable - net	73,163	70,700
Due from other funds	-	1,363
Prepaid expenses	4,900	2,826
Total current assets	398,358	598,444
Restricted assets		
Cash and cash equivalents	122,923	149,645
Total restricted assets	122,923	149,645
Capital assets		
Non-depreciable	19,650	19,650
Depreciable	7,042,346	6,934,218
Total capital assets	7,061,996	6,953,868
Accumulated depreciation	(3,087,892)	(2,941,723)
Net capital assets	3,974,104	4,012,145
Other assets		
Investment in jointly owned gas operations and maintenance fund	90,864	70,730
Total assets	\$ 4,586,249	\$ 4,830,964
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses	\$ 15,647	\$ 38,103
Payroll liabilities	3,757	2,117
Due to other funds	9,749	-
Total current liabilities	29,153	40,220
Liabilities payable from restricted assets		
Accrued interest payable	1,164	2,740
Current portion of revenue bonds payable	30,000	38,992
Total restricted liabilities	31,164	41,732
Noncurrent liabilities		
Customer deposits and customer prepayments	78,639	77,518
Revenue bonds payable	70,000	281,426
Total noncurrent liabilities	148,639	358,944
Total liabilities	208,956	440,896
Net position		
Net investment in capital assets	3,872,940	3,688,987
Restricted:		
Debt service	75,275	91,814
Depreciation and contingency	47,648	57,832
Unrestricted	381,430	551,435
Total net position	4,377,293	4,390,068
Total liabilities and net position	\$ 4,586,249	\$ 4,830,964

TOWN OF NEWELLTON
Newellton, Louisiana

**Schedules of Revenues, Expenses, and Changes in
Net Position - Enterprise Fund
For The Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Water sales	\$ 239,306	\$ 245,358
Gas sales	205,997	178,466
Sewerage fees	134,844	141,627
Plumbing fees	1,736	3,676
Penalties	15,880	12,972
Total operating revenues	<u>597,763</u>	<u>582,099</u>
Bad debts	1,216	5,196
Computer consultants	3,008	2,915
Depreciation	146,169	145,480
Dues and subscriptions	3,726	1,307
Engineering	5,542	560
Equipment	11,939	18,539
Gas purchases	97,610	106,644
Insurance - general	18,502	15,124
Legal and audit	21,994	24,272
Miscellaneous expenses	1,129	2,423
Office supplies	6,311	5,805
Postage	3,547	3,318
Salaries and related benefits	149,319	166,314
Supplies-plant	20,268	17,096
Supplies and expenses-gas	3,224	6,173
Supplies and expenses-sewer	10,554	18,882
Supplies and expenses-water	48,288	61,313
Telephone	9,482	8,150
Travel and meetings	3,564	2,447
Utilities	31,502	33,107
Total operating expenses	<u>596,894</u>	<u>645,065</u>
Operating profit (loss)	869	(62,966)
Nonoperating revenues (expenses):		
Grants	105,000	48,725
Interest earnings	1,843	2,581
Income from jointly owned gas operations and maintenance fund	20,135	54,320
Other nonoperating revenues	7,518	1,927
Interest expense	(13,740)	(17,948)
Total nonoperating revenue (expense)	<u>120,756</u>	<u>89,605</u>
Income before operating transfers	121,625	26,639
Operating transfers:		
Transfers out	(134,400)	(83,000)
Net transfers	<u>(134,400)</u>	<u>(83,000)</u>
Net income (loss)	(12,775)	(56,361)
Net position beginning of year	<u>4,390,068</u>	<u>4,446,429</u>
Net position end of year	<u>\$ 4,377,293</u>	<u>\$ 4,390,068</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Schedules of Cash Flows - Enterprise Fund
For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Cash received from customers	\$ 606,317	\$ 588,343
Cash paid for employee services	(147,679)	(166,619)
Cash payments to suppliers for goods and services	(324,720)	(312,757)
Net cash provided by operating activities	<u>133,918</u>	<u>108,967</u>
Cash flows from noncapital financing activities:		
Transfers to general fund	<u>(134,400)</u>	<u>(83,000)</u>
Net cash used in noncapital financing activities	<u>(134,400)</u>	<u>(83,000)</u>
Grant received for repairs of capital assets	-	14,400
Grant received for acquisition to capital assets	105,000	35,000
Acquisition of capital assets	(108,128)	(35,000)
Principal paid on debt	(220,417)	(38,563)
Interest paid on debt	(15,316)	(17,948)
Net cash used for financing activities	<u>(238,861)</u>	<u>(42,111)</u>
Cash flows from investing activities		
Sale (Purchase) of short-term investments	77,483	(1,938)
Receipt of other nonoperating proceeds	7,518	-
Interest received on investments	1,843	2,581
Distribution received from Joint Line	-	75,000
Net cash provided by investing activities	<u>86,844</u>	<u>75,643</u>
Net increase in cash	(152,499)	59,499
Cash and cash equivalents, beginning of year	<u>374,590</u>	<u>315,091</u>
Cash and cash equivalents, end of year	<u>\$ 222,091</u>	<u>\$ 374,590</u>
Shown on the accompanying balance sheet as		
Current assets: Cash and cash equivalents	\$ 99,168	\$ 224,945
Restricted assets: Cash and cash equivalents	<u>122,923</u>	<u>149,645</u>
Total	<u>\$ 222,091</u>	<u>\$ 374,590</u>

(Continued)

TOWN OF NEWELLTON
Newellton, Louisiana

Schedules of Cash Flows - Enterprise Fund (Concluded)
For the Years Ended June 30, 2013 and 2012

	2013	2012
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 869	\$ (61,039)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	146,169	145,480
Bad debts	1,216	5,196
Change in assets and liabilities		
Accounts receivable	(3,679)	(3,088)
Prepaid expenses	(2,074)	3,152
Accounts payable and accrued liabilities	(22,454)	15,318
Payroll liabilities	1,638	(459)
Due to other funds	11,112	1,033
Customer deposits	1,121	3,374
Net cash provided by operating activities	\$ 133,918	\$ 108,967
Supplemental disclosure of noncash capital investing activities:		
Increase in the investment in the jointly owned gas operations and maintenance fund	\$ 20,135	\$ 54,320
Total noncash capital investing activities	\$ 20,135	\$ 54,320

TOWN OF NEWELLTON
Newellton, Louisiana

**Schedule of Changes in Restricted Assets
For the Year Ended June 30, 2013**

	<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, 2012	\$ 52,879	\$ 21,258	\$ 45,582	\$ 119,719
Add:				
Transfers from operating	35,750	1,728	1,980	39,458
Interest earned	118	42	86	246
Total funds available	88,747	23,028	47,648	159,423
Principal and interest	(36,500)	-	-	(36,500)
Balance - June 30, 2013	<u>\$ 52,247</u>	<u>\$ 23,028</u>	<u>\$ 47,648</u>	<u>\$ 122,923</u>
<u>\$315,000 1988 Sewer Revenue Bonds</u>				
Balance - July 1, 2012	\$ 7,569	\$ 10,108	\$ 12,250	\$ 29,927
Add:				
Transfers from operating	13,884	617	828	15,329
Interest earned	19	15	19	53
Total funds available	21,472	10,740	13,097	45,309
Less:				
Principal and interest	(18,513)	-	-	(18,513)
Transfer to operating	(2,959)	(10,740)	(13,097)	(26,796)
Balance - June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**TOWN OF NEWELLTON, LOUISIANA
COMPENSATION PAID ALDERMEN
FOR THE YEAR ENDED JUNE 30, 2013**

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
Ben Britton, Jr.	3,000
James Fuller	3,000
Lavon Garner	3,000
Billy Mitchell	6,000
Mattie Sampson	6,000
Timothy Turner	<u>3,000</u>
	<u>\$ 30,000</u>

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

John L. Luffey, MBA, CPA (1963-2002)
Francis I. Huffman, CPA
Phillip A. Ragsdale, CPA
David Ray Solgnier, CPA, MBA, CGMA

John Herman, CPA
Lynn Andries, CPA, CGMA
Esther Atteberry, CPA
Lori Woodard, MBA, CPA, CGMA, CITP

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

Board of Aldermen
Town of Newellton
Newellton, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund, of Town of Newellton, Louisiana (the Town), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 26, 2014. It should be noted that we issued a qualified opinion due to a scope limitation since the Town did not have audited financial statements of the Towns of Newellton and St. Joseph Louisiana Jointly Owned Gas Operations and Maintenance Fund (the Joint Gas Line) of which the Town owns 50%.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as Findings 13-01, 13-02 and 13-03 to be a material weakness.

**Town of Newellton
Newellton, Louisiana**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 as Findings 13-02 and 13-03.

The Town's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management of the Council, Federal awarding agencies and pass-through entities, and other entities granting funds to the Council 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.

Huffey, Huffman, Reynolds & Simpson

(A Professional Accounting Corporation)

March 26, 2014

TOWN OF NEWELLTON
Newellton, Louisiana

Schedule of Findings and Responses
June 30, 2013

13-01 Joint Gas Line - Procurement of Financial Data

Finding

The Towns of Newellton and St. Joseph, Louisiana entered into a joint venture in 1954, called the Town of Newellton and the Town of St. Joseph, Louisiana Jointly Owned Gas Operations and Maintenance Fund (the Joint Gas Line) to provide natural gas to the two towns for resale to their citizens and approximately fifteen other customers in the service area. The two towns govern the Joint Gas Line with an agent assigned for operational duties.

The Joint Gas Line is to be audited annually and the financial data is incorporated into the Town's financial report. A review of the minutes of the Town of Newellton indicated that no governing duties were conducted by the Mayor during the year ended June 30, 2013 with respect to the Joint Gas Line. The mayors of each town are to meet on a periodic bases to discuss the business of the Joint Gas Line.

Subsequent to December 31, 2013, discussions were held concerning the new gas contract with the provider but no mention of active participation in determining who would conduct the Joint Gas Line audit or that the audit would be completed timely enough for the Town to complete its annual audit in a timely manner. In March 2014, the auditor that had been engaged to perform the audit of the Joint Gas Line withdrew from the engagement. Therefore, the Town was unable to provide audited financial information on the Joint Gas Line for inclusion in the Town's financial report.

Recommendation

We recommend that the Town actively participate in the governance in the Joint Gas Line in order to protect its interests as well as having reliable financial information in a timely manner for its financial report.

Management's Corrective Action Plan

The Town is pursuing legal action to acquire custody of the accounting operation of the Joint Gas Line and will be discussing the failure to obtain the completion of the Joint Gas Line's fiscal year 2013 audit with the Louisiana Legislative Auditor.

TOWN OF NEWELLTON
Newellton, Louisiana

Schedule of Findings and Responses
June 30, 2013

13-02 Local Government Budget Act

Finding

The Local Budget Act states that “the total of proposed expenditures shall not exceed the total of estimated funds available for the ensuing fiscal year”. (Revised Statute 39:1305). It is generally understood that the mathematical accuracy of the budget is also required.

On June 12, 2012 the Board of Aldermen adopted the original budget for the year ended June 30, 2013.

The original budget contained a \$123,500 mathematical error and as such the budget appeared to be projecting a positive fund balance when, in actuality, the budgeted fund balance without the error was a deficit of \$59,962.

In addition, at the time the Board of Aldermen was amending the 2013 budget, the original budget column did not reflect the amounts previously approved by the Board of Aldermen. There were two accounts with increases in revenues (\$40,000), two accounts with decreases in expenditures (\$15,000), and two accounts with increases in expenditures (\$6,800) for a net \$31,800 increase from the originally adopted budget.

As a result of both of these issues, the Town was unable to use the budget as a management tool in operating the Town effectively.

Recommendation

We recommend that the Town use greater care in their budgeting processes and have their budgets reviewed by its consulting CPA's prior to presentation to the Council. Budgets should not contain mathematical errors and once approved by the Council a budget should not be changed unless revised by the Council.

Management's Corrective Action Plan

We have already begun budget preparations for fiscal year 2014 which will be reviewed by the consulting CPA prior to adoption.

TOWN OF NEWELLTON

Newellton, Louisiana

Schedule of Findings and Responses

June 30, 2013

13-03 Timely Submission of Financial Statements

Finding

The Town did not submit its audit report by the statutory due date, which is six months after the agency's fiscal year end, or December 31, 2013.

Louisiana Revised Statute (R.S.) 24:513 requires audits of local government agencies to be completed within six months of the close of the government's fiscal year.

This year's submission was delayed due to the Joint Gas Line issue as previously cited in Finding 13-01. The Town has filed to comply with the Louisiana Audit Law.

Recommendation

We recommend that the information for the Joint Gas Line be procured in a timely manner so that the financial statements can be audited by the required deadline.

Management's Corrective Action Plan

The Town had anticipated being in compliance with this requirement until it became evident that the Town of St Joseph, the custodian of the Joint Gas Line's accounting records, had not pursued the completion of the audit of the Joint Gas Line as it had in previous years. As previously noted in our response in Finding 13-01, the Town of Newellton is pursuing legal action to acquire the custody of the records in order to provide the information necessary for the audit of the Joint Gas Line's financial statements in time for its inclusion in the Town's financial statements.

TOWN OF NEWELLTON
Newellton, Louisiana

Summary Status of Prior Year Findings
For the Year Ended June 30, 2013

In the Town of Newellton's audit report dated December 31, 2012, the Town did not have any findings or management letter comments in connection with the audit of the financial statements as of and for the year ended June 30, 2012 that was conducted by Luffey, Huffinan, Ragsdale & Soignier (APAC).