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TOWN OF NEWELLTON, LOUISIANA

Financial Report
As of and For the Year Ended June 30, 2003

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

Release Date 1-14-04

TOWN OF NEWELLTON, LOUISIANA

FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED JUNE 30, 2003

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TOWN OF NEWELLTON, LOUISIANA

FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED JUNE 30, 2002

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general-purpose financial statements of the **Town of Newellton, Louisiana** (the Town) as of June 30, 2003, and for the year then ended, as listed in the accompanying Table of Contents. These general-purpose financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town as of June 30, 2003 and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the financial statements, the Town changed its method of accounting for their investment in the Newellton and St. Joseph, Louisiana Gas Operating and Maintenance Fund from the cost method to the equity method of accounting which is the generally accepted method of accounting for investments in joint ventures.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2003 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,

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

contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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



(A Professional Accounting Corporation)

October 22, 2003

**GENERAL PURPOSE FINANCIAL STATEMENTS
COMBINED STATEMENTS - OVERVIEW**

TOWN OF NEWELLTON, LOUISIANA
COMBINED BALANCE SHEET - ALL FUND TYPES AND
ACCOUNT GROUPS
JUNE 30, 2003

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPE		ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS	CAPITAL PROJECT FUND	UTILITIES ENTERPRISE FUND	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT			
ASSETS									
Cash	\$ 47,097	\$ 13,128	\$ -	\$ 113,771	\$ -	\$ -	\$ -	173,996	
Accounts Receivable, net	27,764	-	-	44,134	-	-	-	71,898	
Other Receivables	1,830	-	-	351	-	-	-	2,181	
Due From Other Funds	15,358	-	1,575	-	-	-	-	16,933	
Prepaid Expenses	-	-	-	1,479	-	-	-	1,479	
Restricted Assets:									
Cash	-	-	-	108,488	-	-	-	131,163	
Investments	-	22,675	-	69,328	-	-	-	69,328	
Fixed Assets	-	-	-	6,811,283	503,990	-	-	7,315,273	
Accumulated Depreciation	-	-	-	(1,830,075)	-	-	-	(1,830,075)	
Investment in Jointly Owned Gas Line	-	-	-	145,226	-	-	-	145,226	
Amount Available in Debt Service Fund	-	-	-	-	-	22,675	-	22,675	
Amount to be Provided For Retirement of									
General Long-Term Debt	-	-	-	-	-	90,502	-	90,502	
TOTAL ASSETS	\$ 92,049	\$ 13,128	\$ 1,575	\$ 5,463,985	\$ 503,990	\$ 113,177	\$ -	\$ 6,210,579	

The accompanying notes are an integral part of this statement.

TOWN OF NEWELLTON, LOUISIANA
COMBINED BALANCE SHEET - ALL FUND TYPES AND
ACCOUNT GROUPS
JUNE 30, 2003

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPE		ACCOUNT GROUPS			TOTAL MEMORANDUM (MEMORANDUM ONLY)
	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS	CAPITAL PROJECT FUND	UTILITIES ENTERPRISE FUND	GENERAL ASSETS	GENERAL LONG-TERM DEBT		
LIABILITIES AND FUND EQUITY									
Liabilities									
Accounts Payable	\$ 29,709	\$ -	\$ -	\$ 1,575	\$ 13,771	\$ -	\$ -	\$ -	45,055
Due to Other Funds	1,575	-	-	-	15,358	-	-	-	16,933
Other Accrued Liabilities	16,127	-	-	-	5,850	-	-	-	21,977
Deferred Revenues	-	-	-	-	15	-	-	-	15
Customers' Deposits	-	-	-	-	64,760	-	-	-	64,760
Liabilities Payable From Restricted Assets:									
Accrued Interest Payable	-	-	-	-	10,220	-	-	-	10,220
Revenue Bonds Payable Current	-	-	-	-	45,478	-	-	-	45,478
Revenue Bonds Payable - Long Term	-	-	-	-	1,103,225	-	-	-	1,103,225
General Obligations Bonds Payable	-	-	-	-	-	-	90,017	-	90,017
Capital Leases Payable	-	-	-	-	1,080	-	23,160	-	24,240
Total Liabilities	47,411	-	-	1,575	1,259,757	-	113,177	-	1,421,920
Fund Equity									
Investment in General Fixed Assets	-	-	-	-	-	503,990	-	-	503,990
Contributed Capital	-	-	-	-	4,284,406	-	-	-	4,284,406
Retained Earnings (Deficit):									
Reserved - Depreciation & Contingency	-	-	-	-	101,019	-	-	-	101,019
Reserved - Debt Service	-	-	-	-	21,098	-	-	-	21,098
Unreserved	-	-	-	-	(202,295)	-	-	-	(202,295)
Fund Balance:									
Reserved for Debt Service	-	-	-	-	-	-	-	-	22,675
Unreserved and Undesignated	44,638	13,128	-	-	-	-	-	-	57,766
Total Fund Equity	44,638	13,128	-	-	4,204,228	503,990	-	-	4,788,659
TOTAL LIABILITIES AND FUND EQUITY	\$ 92,049	\$ 13,128	\$ 22,675	\$ 1,575	\$ 5,463,985	\$ 503,990	\$ 113,177	\$ -	\$ 6,210,579

**TOWN OF NEWELLTON, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>DEBT SERVICE FUNDS</u>	<u>CAPITAL PROJECT FUND</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
REVENUES					
Taxes - Ad Valorem	\$ 58,112	\$ -	\$ -	\$ -	\$ 58,112
Taxes - Sales and Use	65,353	-	-	-	65,353
Licenses and Permits	38,315	-	-	-	38,315
Intergovernmental Revenue - Federal	-	-	-	331,553	331,553
Intergovernmental Revenue - State	28,754	-	-	-	28,754
Intergovernmental Revenue - Local	35,620	-	9,955	-	45,575
Fees, Charges, and Commissions for Services	97,177	-	-	-	97,177
Fines and Penalties	22,905	-	-	-	22,905
Interest Income	965	109	160	-	1,234
Other Income	2,299	3,832	-	-	6,131
Total Revenues	<u>349,500</u>	<u>3,941</u>	<u>10,115</u>	<u>331,553</u>	<u>695,109</u>
EXPENDITURES					
Current:					
General Government:					
Finance and Administration	98,575	-	-	-	98,575
Public Safety:					
Police Department	82,314	-	-	-	82,314
Fire Department	2,356	-	-	-	2,356
Public Works:					
Street and Sanitation	102,419	-	-	-	102,419
Capital Outlay	34,033	-	-	342,578	376,611
Debt Service:					
Retirement of Principal	6,946	-	21,939	-	28,885
Interest and Fiscal Charges	1,619	-	5,476	-	7,095
Total Expenditures	<u>328,262</u>	<u>-</u>	<u>27,415</u>	<u>342,578</u>	<u>698,255</u>
Excess (Deficiency) of Revenues Over Expenditures	21,238	3,941	(17,300)	(11,025)	(3,146)
Other Financing Sources (Uses)					
Proceeds from Sale of Assets	2,050	-	-	-	2,050
Operating Transfers In	5,000	-	18,496	11,025	34,521
Operating Transfers Out	(29,521)	-	-	-	(29,521)
Total Other Financing Sources (Uses)	<u>(22,471)</u>	<u>-</u>	<u>18,496</u>	<u>11,025</u>	<u>7,050</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(1,233)	3,941	1,196	-	3,904
Fund Balance at beginning of year	<u>45,871</u>	<u>9,187</u>	<u>21,479</u>	<u>-</u>	<u>76,537</u>
FUND BALANCE AT END OF YEAR	<u>\$ 44,638</u>	<u>\$ 13,128</u>	<u>\$ 22,675</u>	<u>\$ -</u>	<u>\$ 80,441</u>

The accompanying notes are an integral part of this statement.

TOWN OF NEWELLTON, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL -
ALL GOVERNMENTAL FUND TYPES HAVING ANNUAL APPROPRIATED BUDGETS
FOR THE YEAR ENDED JUNE 30, 2003

	<u>GENERAL FUND</u>			<u>SPECIAL REVENUE FUND</u>		
	<u>GAAP BASIS BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>	<u>GAAP BASIS BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES						
Taxes - Ad Valorem	\$ 58,500	\$ 58,112	\$ (388)	\$ -	\$ -	-
Taxes - Sales and Use	64,000	65,353	1,353	-	-	-
Licenses and Permits	30,000	38,315	8,315	-	-	-
Intergovernmental Revenue						
Federal	-	-	-	13,000	-	(13,000)
State	24,307	28,754	4,447	-	-	-
Local	37,000	35,620	(1,380)	-	-	-
Franchise Fees	28,000	30,952	2,952	-	-	-
Charges For Services	89,200	66,225	(22,975)	-	-	-
Fines and Penalties	21,000	22,905	1,905	-	-	-
Interest	1,200	965	(235)	100	109	9
Other Income	1,500	2,299	799	1,000	3,832	2,832
Total Revenues	<u>354,707</u>	<u>349,500</u>	<u>(5,207)</u>	<u>14,100</u>	<u>3,941</u>	<u>(10,159)</u>
EXPENDITURES						
Current:						
General Government	90,823	98,575	(7,752)	-	-	-
Public Safety:						
Police Department	81,700	82,314	(614)	-	-	-
Fire Department	2,000	2,356	(356)	-	-	-
Public Works:						
Street and Sanitation	106,200	102,419	3,781	-	-	-
Capital Outlay	4,000	34,033	(30,033)	-	-	-
Debt Service	8,565	8,565	-	-	-	-
Total Expenditures	<u>293,288</u>	<u>328,262</u>	<u>(34,974)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	61,419	21,238	(40,181)	14,100	3,941	(10,159)
Other Financing Sources (Uses)						
Proceeds From Sale Of Assets	2,050	2,050	-	-	-	-
Transfers In	830	5,000	4,170	-	-	-
Transfers Out	(29,450)	(29,521)	(71)	-	-	-
Total Other Financing Sources (Uses)	<u>(26,570)</u>	<u>(22,471)</u>	<u>4,099</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	34,849	(1,233)	(36,082)	14,100	3,941	(10,159)
Fund Balance at beginning of year	<u>45,871</u>	<u>45,871</u>	<u>-</u>	<u>9,187</u>	<u>9,187</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 80,720</u>	<u>\$ 44,638</u>	<u>\$ (36,082)</u>	<u>\$ 23,287</u>	<u>\$ 13,128</u>	<u>\$ (10,159)</u>

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

**TOWN OF NEWELLTON, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
ACCUMULATED DEFICIT - UTILITIES ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2003**

Operating Revenues

Water Sales	\$ 153,211
Gas Sales	370,703
Sewerage Fees	109,840
Plumbing Fees	3,011
Penalties	16,003
Other Operating Revenues	702
Total Operating Revenues	<u>653,470</u>

Operating Expenses

Water Supplies and Expenses	51,933
Gas Purchases	183,011
Gas Supplies and Expenses	4,290
Sewer Supplies and Expenses	52,051
Supplies	3,168
Backhoe, Mower and Tractor	2,377
Bad Debts	6,223
Depreciation	128,835
Utilities	43,249
Engineering	2,602
Insurance - General	13,685
Legal and Audit	8,698
Meter Reader	6,096
Office Rent	1,642
Office Supplies	3,898
Payroll Taxes	404
Postage	3,739
Salaries and Related Benefits	97,725
Telephone	5,030
Truck	6,119
Dues and Subscriptions	852
Travel and Meetings	3,544
Miscellaneous Expenses	648
Total Operating Expenses	<u>629,819</u>

Total Operating Profit

23,651

(Continued)

TOWN OF NEWELLTON, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
ACCUMULATED DEFICIT - UTILITIES ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2003 (Concluded)

Non-operating Revenue (Expense)	
Interest Earnings	3,430
Income from Jointly Owned Gas Line	3,011
Interest Expense	<u>(59,384)</u>
Total Non-operating Revenue (Expense)	<u>(52,943)</u>
Loss Before Operating Transfers	(29,292)
Operating Transfers	
Transfers In	-
Transfer Out	<u>(5,000)</u>
Total Operating Transfers	(5,000)
Net Loss	(34,292)
Accumulated Deficit At Beginning of Year	
As Previously Reported	(188,102)
Investment in Jointly Owned Gas Line (Note 2)	<u>142,216</u>
Deficit as of the Beginning of the Year Restated	(45,886)
ACCUMULATED DEFICIT AT END OF YEAR	\$ <u>(80,178)</u>

The accompanying notes are an integral part of this statement.

**TOWN OF NEWELLTON, LOUISIANA
STATEMENT OF CASH FLOWS
UTILITIES ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2003**

Cash Flows From Operating Activities

Operating Profit	\$ 23,651
Adjustments to Reconcile Operating Profit to Net Cash Provided by Operating Activities:	
Depreciation	128,835
Changes in assets and liabilities:	
Receivables	1,942
Prepaid Expenses	(670)
Accounts and Retainage Payable	315
Due to Other Funds	2,127
Other Accrued Liabilities	(279)
Customer Deposits	(1,170)
Net Cash Provided by Operating Activities	154,751

Cash Flows From Noncapital Financing Activities

Operating Transfers Out	(5,000)
Net Cash Used by Noncapital Financing Activities	(5,000)

Cash Flows From Capital and Related Financing Activities

Payments on Capital Lease	(470)
Principal Paid on Bonds	(43,980)
Interest Paid on Bonds	(59,222)
Net Cash Used by Capital and Related Financing Activities	(103,672)

Cash Flows From Investing Activities

Interest Income	3,430
Purchase of Short Term Cash Investments	(2,271)
Net Cash Provided by Investing Activities	1,159

(Continued)

**TOWN OF NEWELLTON, LOUISIANA
STATEMENT OF CASH FLOWS
UTILITIES ENTERPRISE FUND (Concluded)
FOR THE YEAR ENDED JUNE 30, 2003**

Net Increase in Cash and Cash Equivalents	47,238
Cash and Cash Equivalents at Beginning of Year	<u>175,021</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 222,259</u></u>

SHOWN ON ACCOMPANYING COMBINED BALANCE SHEET AS:

Cash	\$ 113,771
Restricted Assets:	
Cash	<u>108,488</u>
TOTAL	<u><u>\$ 222,259</u></u>

**SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL
INVESTING AND FINANCING ACTIVITIES**

Lease Purchase of Equipment	(1,550)
Increase in the Investment of the Jointly Owned Gas Line	<u>\$ 3,011</u>
 Total Noncash Capital Investing and Financing Activities	 <u><u>\$ 1,461</u></u>

The accompanying notes are an integral part of this statement.

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2003**

Note 1 - Summary of Significant Accounting Policies

FINANCIAL REPORTING ENTITY/BASIS OF PRESENTATION

The accompanying financial statements include all funds and account groups of the Town of Newellton, Louisiana (the Town). The accompanying general purpose 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 and fire protection, street and drain maintenance, garbage and trash collection and administrative services. The Town also operates a Utilities Enterprise Fund to provide gas, sewerage and water services.

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

GASB Statement No. 14 established criteria for determining which component units should be considered part of the Town for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is accountability. These criteria include:

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

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

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2003**

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:

A. Fund Accounting

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

GOVERNMENTAL FUNDS

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

Special Revenue Fund - The Special Revenue Fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds - The Debt Service Funds is used to account for resources accumulated to pay principal and interest on general long-term obligations.

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

PROPRIETARY FUND

Enterprise Funds - Enterprise Funds are 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 cost (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,

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2003**

accountability or other purposes.

In accordance with GASB Statement 20, the Town has elected not to apply Financial Accounting Standards Board statements and interpretations issued after November 30, 1989 to its proprietary activities unless they are adopted by the GASB.

ACCOUNT GROUPS

General Fixed Assets Account Group

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public Domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

General Long-Term Debt Account Group

The general long-term debt account group (GLTDAG) is used to account for the government's unmatured long-term indebtedness that has not been identified as a specific fund liability of a proprietary or trust fund. Besides general obligation debt instruments such as bonds and notes, the GLTDAG is used, if applicable, to report certain liabilities such as long-term capital lease agreements and compensated absences.

B. Total Column on Combined Statements - Overview

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

C. Basis of Accounting

Basis of accounting refers to the point at which revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
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Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both 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 be used to pay liabilities of the current period.

The Town uses the following practices in recognizing and reporting revenues and expenditures in the governmental fund types:

Revenues are recognized when they become measurable and available as net current assets. Ad valorem taxes and sales taxes are considered "measurable" when in the hands of the intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain. Ad valorem taxes, grants and fees, charges and commissions for services have been treated as susceptible to accrual.

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

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

1. Water rates charged:

- a. Residential customers are charged \$12.50 for the first 2,000 gallons of water and \$2.15 for each additional 1,000 gallons or fraction thereof.
- b. Commercial customers are charged \$15.50 for the first 2,000 gallons of water used and then \$3.10 for each additional 1,000 gallons or fraction thereof.

2. Sewer rates charged;

- a. Residential customers are billed \$10.00 for the first 3,000 gallons of water used. They are then billed \$2.15 for each 1,000 gallons or fraction thereof.

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- b. Commercial customers are charged \$13.00 for the first 3,000 gallons of water purchased. They are then charged \$2.15 for each additional 1,000 gallons or fraction thereof of water used.
3. Gas rates charged to customers are \$16.00 for the first 1,000 cubic feet of gas used and \$16.00 for each additional 1,000 cubic feet used.

D. 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 and the Special Revenue Fund; encumbrance accounting is not used by the Town.

E. Investments

Investments (consisting of certificates of deposit) are stated at amortized cost, which approximates market value. For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

F. Fixed Assets

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

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Fixed assets of the enterprise fund are recorded at cost, if purchased, and at fair market value at date of gift, if donated. Major additions are capitalized while maintenance and repairs that do not improve or extend the life of the respective assets are charged to expense. Contributions received in aid of construction are credited to contribution accounts and do not reduce the cost of the assets acquired with such contributions. Interest is capitalized on funds used during construction of projects acquired with bond funds. No interest was capitalized during the year ended June 30, 2003.

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

Water System:		
Wells		99
Storage Tanks		50
Lines and Meters		50
Sewerage System:		
Pumping Station		50
Lines		50
Autos and Trucks		5
Other		5 - 7
Gas Transmission and Distribution System:		
Pipeline		99
Lines and Meters		50
Office Equipment		5 - 7

G. Long-Term Liabilities

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds. Long-term liabilities expected to be financed from enterprise fund operations are accounted for in the enterprise fund.

H. Bad Debts

Uncollectible amounts for ad valorem taxes are generally not significant. As a

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result, the direct write-off method for recognizing bad debts is used. Under this method, the receivable is charged to expense when the account is deemed to be uncollectible. The Town uses the allowance method for recognizing bad debts for customers' utility receivables. An allowance of \$12,506 has been set up for the year ended June 30, 2003.

I. 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.

J. Reserves and Designations of Fund Equity

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

Designated portions of fund balance indicate tentative future spending plans, which may be changed and are subject to subsequent authorization before expenditures can be made.

K. Due From Other Funds

Amounts designated as "due from other funds" are considered "available spendable resources".

L. Electrical System Operating Agreement

On September 9, 1998, the Board of Aldermen of the Town authorized an operating agreement between the Town and Louisiana Power and Light (Entergy) for Entergy to operate the electric system within the corporate limits of the Town for a period of twenty-five years. The agreement provides that Entergy will pay to the Town two percent of total revenue collected from the sale of electric service to residential and commercial customers within the Town. Revenues under this agreement totaled \$17,664 for the year ended June 30, 2003.

M. 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

**TOWN OF NEWELLTON, LOUISIANA
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from those estimates.

Note 2 - Change in Method of Accounting

During the year the Town changed its method of accounting for their investment in Newellton and St. Joseph Joint Gas Operating and Maintenance Fund from the cost method of accounting to the equity method. (See Note 8) The change was made to conform the Town's accounting for the joint venture with general accepted accounting principles. This change increased beginning retained earnings by \$142,216 of the Utilities Enterprise Fund.

Note 3 - Cash and Deposits

Statutes require the Town to invest surplus cash balances in obligations of the United States Treasury, time certificates of deposit, and any other federally-insured investments. The Town has \$379,405 in deposits (collected bank balances) as of June 30, 2003, of which \$205,327 was secured from risk by federal deposit insurance (GASB 3 - Category 1). The balance of \$174,078 of the deposits was collateralized with securities held by the financial institution in the name of the Town (GASB 3 - Category 2).

Note 4 - Accounts Receivable

Receivables are primarily composed of amounts due from residential customers living in the Town. Accounts receivable of \$74,079 as of June 30, 2003 are comprised of the following:

<u>Fund Type</u>	<u>Fees</u>	<u>Accounts</u>	<u>Other</u>	<u>Total</u>
General	\$ 6,461	\$ -	\$ 23,133	\$ 29,594
Proprietary	-	56,640	351	56,991
Less Allowance for Doubtful Accounts	<u>-</u>	<u>(12,506)</u>	<u>-</u>	<u>(12,506)</u>
Total	<u>\$ 6,461</u>	<u>\$ 44,134</u>	<u>\$ 23,484</u>	<u>\$ 74,079</u>

The town has 641 residential and 4 commercial water and sewer customers. They also serve 594 residential and 4 commercial gas customers. An aging of the utility receivables as of June 30, 2003 is as follows:

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	<u>Water</u>	<u>Gas</u>	<u>Sewer</u>	<u>Other</u>	<u>Total</u>
Current	\$ 16,838	\$ 10,934	\$ 10,731	\$ 5,914	\$ 44,417
31-60 Days	561	548	431	332	1,872
61-90 Days	225	778	200	180	1,383
91-120 Days	252	1,242	112	110	1,716
Over 120 Days	<u>1,106</u>	<u>3,627</u>	<u>1,794</u>	<u>725</u>	<u>7,252</u>
Total	<u>\$ 18,982</u>	<u>\$ 17,129</u>	<u>\$ 13,268</u>	<u>\$ 7,261</u>	<u>\$ 56,640</u>

Note 5 - Ad Valorem Taxes

Property taxes are levied by the Town in September or October each year and are actually billed to the taxpayers in November. Property taxes become due and are attached as an enforceable lien on property as of January 1 of the following year. Billed taxes become delinquent on January 1 of the year following the year in which the taxes are due.

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

The ad valorem tax millage is as follows:

	<u>Mills</u>
General Ad Valorem Tax	15.14

Note 6 - Sales and Use Tax

At a special election held October 16, 1993, residents of the Town approved a general sales and use tax of .75%. Subsequent to June 30, 1994 the Board of Aldermen dedicated the proceeds of such tax to the improvement of streets and drainage.

Note 7 - Fixed Assets

The changes in general fixed assets follows:

	<u>Balance 6/30/02</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/03</u>
Vehicles	\$ 352,973	\$ -	\$ 30,250	\$ 322,723
Furniture and Equipment	181,267	-	-	181,267
Total	<u>\$ 534,240</u>	<u>\$ -</u>	<u>\$ 30,250</u>	<u>\$ 503,990</u>

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A summary of proprietary fund type property, plant and equipment at June 30, 2003, is as follows:

Service Equipment	\$	105,151
Office Equipment		4,560
Water System		2,033,380
Gas System		1,328,027
Sewer System		3,311,087
Pipeline		9,428
Total		6,791,633
Less: Accumulated Depreciation		(1,830,075)
Net Depreciable Assets		4,961,558
Land		19,650
Total Proprietary Fund Type Property, Plant and Equipment	\$	4,981,208

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

Depreciation of \$128,835 as of June 30, 2003 was charged to expense in the utility fund.

Note 8 - Investment in Jointly Owned Gas Line

The Towns of Newellton and St. Joseph, Louisiana have entered into a joint venture, called the Town of Newellton and the Town of St. Joseph, Louisiana Jointly Owned Gas Operations and Maintenance Fund (the Joint Gas Line) to provide natural gas to the two towns for resale to their citizens and approximately fifteen other customers in the service area. The Board of Aldermen and the Mayors of the two Towns govern the Joint Gas Line. Each of the Towns own 50% of the net worth of the joint venture. This amount is shown as an asset called Investment in Jointly Owned Gas Line. (See Note 2)

Summary financial information for the joint venture at June 30, 2003 and for the year then ended, is as follows:

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Total Assets	\$ 291,792
Total Liabilities	1,337
Total Fund Equity	<u>\$ 290,455</u>
Total Revenues	\$ 447,871
Total Cost of Sales	<u>417,283</u>
Gross Profit	30,588
Total Expenses	<u>24,564</u>
Net Income	<u>\$ 6,024</u>

Note 9 - Pension and Retirement Plans

Municipal Employees' Retirement System of Louisiana (MERS)

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

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

Funding Policy. Contributions to the system include one-fourth of one per cent of the taxes shown to be collectible by the tax rolls of the parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of members on which contributions were made for the previous fiscal year. State statute requires covered employees to contribute a percentage of their salaries to the system; As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the MERS for the years ended June 30, 2003, 2002, and 2001 were \$12,881, \$10,765, and \$8,568; respectively, equal to the statutorily required contributions for each year.

The MERS issues an annual, publicly-available financial report that includes financial statements and required supplementary information for the retirement system. The report may be obtained by writing the Municipal Employees' Retirement System, 6750 Van

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Gogh, Baton Rouge, LA 70806 or by calling (225) 925-4810.

Municipal Police Employees' Retirement System (MPERS)

All full-time police officers engaged in law enforcement and earning at least \$375 per month excluding state supplemental pay and elected chiefs of police whose salary is at least \$100 per month are eligible to participate in the system. Members who retire at or after age 50 with 20 years of creditable service, at or after age 55 with 12 years of creditable service and with membership in the system for one year are entitled to a retirement benefit, payable monthly for life, equal to 3-1/3% of the member's average final average compensation multiplied by his years of creditable service, not to exceed 100 per cent of his average final compensation. The system also provides death and disability benefits. Benefits are established by state statute.

Funding Policy. State statutes require covered employees to contribute a percentage of their salaries to the system. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the MPERS for the years ended June 30, 2003, 2002, and 2001 were zero, \$1,559, and \$2,067, respectively, equal to the statutorily required contributions for each year.

The MPERS issues an annual, publicly-available financial report that includes financial statements and required supplementary information for the retirement system. The report may be obtained by writing the Municipal Police Employees' Retirement System, 8401 United Plaza Blvd., Room 305, Baton Rouge, LA 70808 or by calling (225) 929-7411.

Note 10 - Long-Term Debt

The following is a summary of long term debt transactions of the Town for the year ended June 30, 2003:

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	General Obligation Bonds Notes	Capital Lease	Utilities Enterprise Fund Bonds	Utilities Enterprise Fund Capital Lease	Total
Balance at Beginning of Year	\$ 112,271	\$ 30,106	\$ 1,192,683	\$ -	\$ 1,335,060
Additions (Note 12)	-	-	-	1,550	1,550
Retirements	(22,254)	(6,946)	(43,980)	(469)	(73,649)
BALANCE					
END OF YEAR	\$ 90,017	\$ 23,160	\$ 1,148,703	\$ 1,081	\$ 1,262,961

Bonds payable at June 30, 2003 are comprised of the following individual issues:

Utilities Enterprise Fund:

General Obligation Bonds:

\$30,000 Water Distribution Bonds dated April 2, 1974; due in annual installments of \$1,687, through April 2, 2010; interest at 5%.	\$ 11,000
Total General Obligation Bonds – Utilities Enterprise Fund	<u>11,000</u>

Revenue Bonds:

\$83,000 Sewer Revenue Bonds dated August 8, 1973; due in annual installments of \$5,050, through July 1, 2013; interest at 4.125%.	38,000
\$200,000 Sewer Revenue bonds dated February 1, 1968; due in annual installments of \$10,898, through February 1, 2008; interest at 4.125%.	22,071

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Revenue Bonds:

\$550,000 Revenue bonds dated April 6, 1976; due in annual installments of \$29,250 - \$34,350 through April 6, 2016; interest at 5%.	296,000
\$100,000 Revenue bonds dated April 6, 1976; due in annual installments of \$4,400 - \$6,000, through April 6, 2016; interest at 5%.	49,000
\$315,000 Sewer Revenue bonds dated March 23, 1988; due in annual installments of \$18,512 through May 12, 2028; interest at 5%.	254,328
\$506,000 Water Revenue bonds dated April 24, 1998; due in monthly installments of \$2,398.44 through December 2038; interest at 4.875%	<u>478,304</u>
Total Revenue Bonds - Utilities Enterprise Fund	<u>1,137,703</u>
Total Utilities Enterprise Fund Bonds	\$ <u><u>1,148,703</u></u>

General Obligation Notes:

\$130,000 Certificate of Indebtness, Series 1994, to finance the street overlay project. Payments are made yearly at an interest rate of 6%. Matures on August 2004	\$ 33,000
\$80,000 Certificate of Indebtness, Series 1999, to finance the purchase of a fire truck and equipment. Payments are made monthly at an interest rate of 4.5%. Matures on February 8, 2010.	<u>57,017</u>
Total General Obligation Notes	\$ <u><u>90,017</u></u>

Maturities of long term obligations (exclusive of capital lease obligations) of the Town including interest of \$861,163 are as follows:

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<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>General</u> <u>Obligation</u> <u>Bonds</u>	<u>Enterprise</u> <u>Fund</u> <u>Bonds</u>	<u>Total</u>
2004	\$ 27,455	\$ 102,024	\$ 129,479
2005	27,465	101,024	128,489
2006	9,955	90,857	100,812
2007	9,955	93,126	103,081
2008	9,955	91,876	101,831
2009-2013	16,165	443,400	459,565
2014-2018	-	345,945	345,945
2019-2023	-	235,695	235,695
2024-2028	-	231,292	231,292
2029-2033	-	143,906	143,906
2034-2038	-	119,892	119,892
	<u>\$ 100,950</u>	<u>\$ 1,999,037</u>	<u>\$ 2,099,987</u>

For the fiscal year ended June 30, 2003, the amount of interest charged to expense on general obligations bonds was \$5,476 and the amount on revenue bonds was \$59,385

Note 11 - Restriction on Use of Funds

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

1. Each month, there will be paid from the Sewerage Revenue Fund into a "Sewerage Operation and Maintenance Fund" an amount sufficient to assure the prompt payment of operating expenses and make reasonable provision for repair and maintenance of the sewerage system;
2. There shall also be set aside into a "Sewerage Note Fund" monthly amounts equal to 1/12th of the principal and interest becoming due on the next payment date plus \$40 until there shall have been accumulated in the fund an amount equal to \$5,000. The \$5,000 reserve is designated as the "Reserve Fund" and may be used to meet payments of principal and interest to the extent funds in the Sewerage Note Fund are

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insufficient for that purpose. Any money so used shall be replaced as soon as possible to restore the Reserve Fund to a balance of \$5,000; and,

3. Funds will also be set aside from the Sewerage Revenue Fund into a "Sewerage Depreciation Fund" at the rate of \$40 each month. Money in this fund may be used for making major repairs or replacements to the sewerage system, which are necessary to keep the system in operating condition.

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

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

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

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

**TOWN OF NEWELLTON, LOUISIANA
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Fund or Reserve Fund. Any money so used shall be replaced as soon as possible from the earnings of the System.

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

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

Under the terms of the Certificate of Indebtedness, Series 1999 dated February 8, 2000, excess revenues over statutory, necessary and usual charges are to be set aside as follows:

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

Restricted Assets were composed of the following as of June 30, 2003:

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	<u>Total</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
<u>General Fund</u>			
\$80,000 Certificate of Indebtness			
Bond and Interest Redemption Fund	\$ 3,399	\$ 3,399	\$ -
\$130,000 Certificate of Indebtness			
Bond and Interest Redemption Fund	19,277	19,277	-
<u>Utility Fund</u>			
1968 Sewer Revenue Bonds			
1973 Sewer Revenue Bonds			
1974 Water Distribution G. O. Bonds			
Bond and Interest Redemption Fund	11,829	11,829	-
Bond Reserve Fund	7,500	-	7,500
Depreciation and Contingency Fund	62,014	186	61,828
1976 Water and Gas Revenue Bonds			
Bond and Interest Redemption Fund	26,124	26,124	-
Bond Reserve Fund	4,319	4,319	-
Depreciation and Contingency Fund	23,850	23,850	-
1988 Sewer Revenue Bonds			
Bond and Interest Redemption Fund	5,184	5,184	-
Bond Reserve Fund	10,259	10,259	-
Depreciation and Contingency Fund	5,870	5,870	-
1998 Water Revenue Bonds			
Bond and Interest Redemption Fund	2,742	2,742	-
Bond Reserve Fund	8,839	8,839	-
Depreciation and Contingency Fund	9,285	9,285	-
Total	\$ <u>200,491</u>	\$ <u>131,163</u>	\$ <u>69,328</u>

**TOWN OF NEWELLTON, LOUISIANA
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Note 12 - Capital Leases

In fiscal 2003, the Town entered into a capital lease obligation for the purchase of a copier, which will be paid out of Enterprise Fund Revenues. The original amount of the obligation was \$1,740 and bears interest at 12.3%. The Town has also entered into a lease agreement as lessee for financing the acquisition of a tractor for the public works department. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future lease minimum lease payments as of inception date. This lease will be paid for out of general fund revenues.

The assets acquired through the capital leases are as follows:

	Governmental Fund Activities	Enterprise Fund Activities
	<u> </u>	<u> </u>
Assets:		
Machinery and Equipment	\$ 38,671	\$ -
Office Equipment	-	1,550
Less Depreciation	-	(232)
Total	<u>\$ 38,671</u>	<u>\$ 1,318</u>

The future minimum lease payments until maturity are as follows:

Fiscal Year Ended June 30,	Governmental Fund Activities	Enterprise Fund Activities
<u> </u>	<u> </u>	<u> </u>
2004	\$ 8,565	\$ 943
2005	8,565	218
2006	8,565	-
	<u>25,695</u>	<u>1,161</u>
Less Amount representing Interest	<u>(2,535)</u>	<u>(81)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 23,160</u>	<u>\$ 1,080</u>

Note 13 - Interfund Receivables and Payables

Individual fund interfund receivables and payables at June 30, 2003. are as follows:

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Fund	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 15,358	\$ 1,575
Utility Enterprise Fund	-	15,358
Capital Project Funds	1,575	-
TOTAL	<u>\$ 16,933</u>	<u>\$ 16,933</u>

	Operating Transfers	
	<u>In</u>	<u>Out</u>
General Fund	\$ 5,000	\$ 29,521
Utility Enterprise Fund	-	5,000
Debt Service Fund	18,496	-
Capital Projects	11,025	-
TOTAL	<u>\$ 34,521</u>	<u>\$ 34,521</u>

Note 14 - Related Party Transactions

The Town jointly operates with the Town of St. Joseph, Louisiana that portion of the gas transmission line from Lake St. John Field to the Town of St. Joseph. The town purchases gas from the jointly owned transmission line to be resold to its citizens. For 2003 the Town purchased \$190,188 of natural gas from the jointly owned gas line. As of June 30, 2003 the Town owed \$5,813 for natural gas delivered to the Town for the month of June.

Note 15 - Risk Financing Activities

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

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2003**

Note 16 - Commitments

The Town entered into a contract with Temple Management Services, Inc. in 1995 to clean and maintain the sewer oxidation pond belonging to the Town. Under this contract the Town agrees to pay \$1,800 a month for the service provided. The contract automatically renews every twelve months unless either the contractor or the Town notifies the other party in writing 30 days prior to the renewal. Maintenance expenses for the year ended June 30, 2003 were \$21,600.

SUPPLEMENTARY INFORMATION

TOWN OF NEWELLTON, LOUISIANA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL -
COUNCIL LEVEL OF CONTROL
FOR THE YEAR ENDED JUNE 30, 2003

	<u>GAAP BASIS BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Taxes - Ad Valorem	\$ 58,500	\$ 58,112	\$ (388)
Taxes - Sales and Use	64,000	65,353	1,353
Licenses and Permits:			
Franchise Revenue	28,000	30,952	2,952
Occupational & Other Licenses	30,000	38,315	8,315
Intergovernmental Revenues	61,307	64,374	3,067
Charges for Services	89,200	66,225	(22,975)
Fines	21,000	22,905	1,905
Interest Income	1,200	965	(235)
Miscellaneous Revenues	1,500	2,299	799
Total Revenues	<u>354,707</u>	<u>349,500</u>	<u>(5,207)</u>
Expenditures			
General Government:			
Salaries and Benefits	59,800	73,728	(13,928)
Operating Services	19,153	10,918	8,235
Contractual Services	10,220	9,532	688
Travel and Other Charges	1,650	4,397	(2,747)
Total General Government	<u>90,823</u>	<u>98,575</u>	<u>(7,752)</u>
Public Safety:			
Police Department:			
Salaries and Benefits	62,200	61,635	565
Operating Services	5,800	5,653	147
Operating Supplies and Maintenance	7,200	8,135	(935)
Contractual Services	6,500	6,891	(391)
Total Police Department	<u>81,700</u>	<u>82,314</u>	<u>(614)</u>

(Continued)

TOWN OF NEWELLTON, LOUISIANA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL - (Concluded)
COUNCIL LEVEL OF CONTROL
FOR THE YEAR ENDED JUNE 30, 2003

	GAAP BASIS BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
Fire Protection:			
Operating Services	2,000	2,356	(356)
Operating Supplies and Maintenance	-	-	-
Total Fire Protection	2,000	2,356	(356)
Public Works:			
Street and Sanitation:			
Salaries and Benefits	68,500	68,833	(333)
Operating Services	32,400	28,669	3,731
Operating Supplies and Maintenance	5,300	4,917	383
Capital Outlay	4,000	34,033	(30,033)
Debt Service	8,565	8,565	-
Total Public Works	118,765	145,017	(26,252)
Total Expenditures	293,288	328,262	(34,974)
Excess of Revenues Over Expenditures	61,419	21,238	(40,181)
Other Financing Sources			
Sale of Assets	2,050	2,050	-
Operating Transfers - In	830	5,000	4,170
Operating Transfers - Out	(29,450)	(29,521)	(71)
Total Other Financing Sources	(26,570)	(22,471)	4,099
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	34,849	(1,233)	(36,082)
Fund Balance at Beginning of Year	45,871	45,871	-
FUND BALANCE AT END OF YEAR	\$ 80,720	\$ 44,638	\$ (36,082)

TOWN OF NEWELLTON, LOUISIANA
COMPARATIVE BALANCE SHEETS - UTILITY ENTERPRISE FUND
JUNE 30, 2003 AND 2002

	<u>2003</u>	<u>(Restated)</u> <u>2002</u>
ASSETS		
Cash	\$ 113,771	\$ 68,450
Accounts Receivable, net	44,134	44,593
Other Receivables	351	1,834
Prepaid Expenses	1,479	808
Restricted Assets:		
Cash	108,488	106,571
Investments	69,328	67,057
Fixed Assets	6,811,283	6,809,733
Accumulated Depreciation	(1,830,075)	(1,701,240)
Investment in Jointly Owned Gas Line	<u>145,226</u>	<u>142,216</u>
TOTAL ASSETS	\$ <u>5,463,985</u>	\$ <u>5,540,022</u>
LIABILITIES AND FUND EQUITY		
Liabilities		
Accounts Payable	\$ 13,771	\$ 13,456
Due to Other Funds	15,359	13,232
Other Accrued Liabilities	5,850	6,129
Deferred Revenues	14	14
Customers' Deposits	64,760	65,930
Liabilities Payable From Restricted Assets:		
Accrued Interest Payable	10,220	10,058
Revenue Bonds Payable Current	45,478	44,345
Revenue Bonds Payable - Long Term	1,103,225	1,148,338
Capital Lease Payable	<u>1,080</u>	<u>-</u>
Total Liabilities	1,259,757	1,301,502
Fund Equity		
Contributed Capital	4,284,406	4,284,406
Retained Earnings (Deficit):		
Reserved - Depreciation & Contingency	101,019	93,919
Reserved - Debt Service	21,098	25,234
Unreserved	<u>(202,295)</u>	<u>(165,039)</u>
Total Fund Equity	<u>4,204,228</u>	<u>4,238,520</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>5,463,985</u>	\$ <u>5,540,022</u>

TOWN OF NEWELLTON, LOUISIANA
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN
ACCUMULATED DEFICIT - UTILITIES ENTERPRISE FUND
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

	<u>2003</u>	<u>Restated 2002</u>
Operating Revenues		
Water Sales	\$ 153,211	\$ 159,342
Gas Sales	370,703	455,072
Sewerage Fees	109,840	102,254
Plumbing Fees	3,011	2,425
Penalties	16,003	13,400
Other Operating Revenues	702	42
Total Operating Revenues	<u>653,470</u>	<u>732,535</u>
Operating Expenses		
Water Supplies and Expenses	51,933	46,490
Gas Purchases	183,011	190,187
Gas Supplies and Expenses	4,290	11,646
Sewer Supplies & Expense	52,051	28,923
Supplies	3,168	7,893
Backhoe, Mower and Tractor	2,377	12,093
Bad Debts	6,223	1,033
Depreciation	128,835	129,476
Utilities	43,249	51,016
Engineering	2,602	7,453
Insurance - General	13,685	21,061
Legal and Audit	8,698	11,002
Meter Reader	6,096	5,241
Office Rent	1,642	1,788
Office Supplies	3,898	6,735
Payroll Taxes	404	1,536
Postage	3,739	3,594
Salaries and Related Benefits	97,725	89,106
Telephone	5,030	5,120
Truck	6,119	5,482
Dues and Subscriptions	852	2,053
Travel and Meetings	3,544	4,974
Miscellaneous Expenses	648	3,108
Total Operating Expenses	<u>629,819</u>	<u>647,010</u>
Total Operating Profit	23,651	85,525

(Continued)

TOWN OF NEWELLTON, LOUISIANA
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN
ACCUMULATED DEFICIT - UTILITIES ENTERPRISE FUND (Concluded)
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

	2003	Restated 2002
Nonoperating Revenue (Expense)		
Interest Earnings	3,430	5,876
Income from Jointly Owned Gas Line	3,011	89,462
Interest Expense	(59,384)	(60,119)
Total Nonoperating Revenue (Expense)	(52,943)	35,219
 Income (Loss) Before Operating Transfers	(29,292)	120,744
 Operating Transfers		
Transfer In	-	19,532
Transfer Out	(5,000)	(104,373)
Total Operating Transfers	(5,000)	(84,841)
 Net Income (Loss)	(34,292)	35,903
 Accumulated Deficit At Beginning of Year		
As Previously Reported	(45,886)	(134,543)
Investment in Jointly Owned Gas Line (Note 2)	-	52,754
Balance as of the Beginning of the Year Restated	(45,886)	(81,789)
 ACCUMULATED DEFICIT AT END OF YEAR	\$ (80,178)	\$ (45,886)

**TOWN OF NEWELLTON, LOUISIANA
COMPARATIVE STATEMENTS OF CASH FLOWS
UTILITIES ENTERPRISE FUND
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002**

	<u>2003</u>	<u>(Restated) 2002</u>
Cash Flows From Operating Activities		
Operating Profit	\$ 23,651	\$ 85,525
Adjustments to Reconcile Operating Profit to Net Cash Provided by Operating Activities:		
Depreciation	128,835	129,476
Changes in assets and liabilities:		
Receivables	1,942	2,673
Prepaid Expenses	(670)	2,573
Accounts and Retainage Payable	315	(5,240)
Due to Other Funds	2,127	(15,801)
Other Accrued Liabilities	(279)	694
Customer Deposits	(1,170)	(2,278)
Net Cash Provided by Operating Activities	<u>154,751</u>	<u>197,622</u>
Cash Flows From Noncapital Financing Activities		
Operating Transfers In	-	19,532
Operating Transfers Out	(5,000)	(104,373)
Net Cash Used by Noncapital Financing Activities	<u>(5,000)</u>	<u>(84,841)</u>
Cash Flows From Capital and Related Financing Activities		
Payments on Capital Lease	(470)	-
Principal Paid on Bonds	(43,980)	(43,748)
Interest Paid on Bonds	(59,222)	(60,281)
Net Cash Used by Capital and Related Financing Activities	<u>(103,672)</u>	<u>(104,029)</u>
Cash Flows From Investing Activities		
Interest Income	3,430	5,876
Purchases of Short Term Cash Investments	(2,271)	(9,273)
Net Cash Provided (Used) by Investing Activities	<u>1,159</u>	<u>(3,397)</u>
Net Increase in Cash and Cash Equivalents	47,238	5,355
Cash and Cash Equivalents at Beginning of Year	<u>175,021</u>	<u>169,666</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 222,259</u>	<u>\$ 175,021</u>

(Continued)

**TOWN OF NEWELLTON, LOUISIANA
COMPARATIVE STATEMENTS OF CASH FLOWS
UTILITIES ENTERPRISE FUND (Concluded)
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
SHOWN ON ACCOMPANYING COMBINED BALANCE SHEET AS:		
Cash	\$ 113,771	68,450
Restricted Assets:		
Cash	<u>108,488</u>	<u>106,571</u>
TOTAL	<u>\$ 222,259</u>	<u>175,021</u>

**SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL
INVESTING AND FINANCING ACTIVITIES**

Lease Purchase of Equipment	\$ (1,550)	\$ -
Increase in the Investment of the Jointly Owned Gas Line	<u>3,011</u>	<u>89,482</u>
Total Noncash Capital Investing and Financing Activities	<u>\$ 1,461</u>	<u>\$ 89,482</u>

**TOWN OF NEWELLTON, LOUISIANA
 COMBINING BALANCE SHEET
 ALL DEBT SERVICE FUNDS
 AS OF JUNE 30, 2003**

	Fire Department	Street Project	Total
ASSETS			
Cash	\$ <u>3,399</u>	\$ <u>19,276</u>	\$ <u>22,675</u>
TOTAL ASSETS	\$ <u><u>3,399</u></u>	\$ <u><u>19,276</u></u>	\$ <u><u>22,675</u></u>
 LIABILITIES AND FUND EQUITY			
Liabilities	\$ -	\$ -	\$ -
Fund Equity			
Reserved for Debt Service	<u>3,399</u>	<u>19,276</u>	<u>22,675</u>
Total Fund Equity	3,399	19,276	22,675
TOTAL LIABILITIES AND FUND EQUITY	\$ <u><u>3,399</u></u>	\$ <u><u>19,276</u></u>	\$ <u><u>22,675</u></u>

**TOWN OF NEWELLTON, LOUISIANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES -
 ALL DEBT SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Fire Department</u>	<u>Street Project</u>	<u>Total</u>
REVENUES			
Intergovernmental Revenue	\$ 9,955	\$ -	\$ 9,955
Interest Income	29	131	160
Total Revenues	<u>9,984</u>	<u>131</u>	<u>10,115</u>
EXPENDITURES			
Debt Service:			
Retirement of Principal	6,940	15,000	21,940
Interest and Fiscal Charges	3,015	2,460	5,475
Total Expenditures	<u>9,955</u>	<u>17,460</u>	<u>27,415</u>
Excess (Deficiency) of Revenues Over Expenditures	29	(17,329)	(17,300)
Other Financing Sources (Uses)			
Operating Transfers In	996	17,500	18,496
Operating Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>996</u>	<u>17,500</u>	<u>18,496</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	1,025	171	1,196
Fund Balance at beginning of year	<u>2,374</u>	<u>19,105</u>	<u>21,479</u>
FUND BALANCE, END OF YEAR	<u>\$ 3,399</u>	<u>\$ 19,276</u>	<u>\$ 22,675</u>

TOWN OF NEWELLTON
SCHEDULE OF CHANGES IN RESTRICTED ASSETS
FOR THE YEAR ENDED JUNE 30, 2003

	<u>Bond and Interest Redemption</u>	<u>Bond Reserve</u>	<u>Depreciation and Contingency</u>	<u>Total</u>
\$200,000 1968 Sewer revenue bonds				
\$83,000 1973 Sewer revenue bonds				
<u>\$30,000 1974 Water distribution G.O. bonds</u>				
Balance - July 1, 2002	\$ 12,749	\$ 7,640	\$ 59,753	\$ 80,142
Add:				
Transfers from Operating Account	16,500	-	660	17,160
Transfers from Bond Reserve Account	-	-	384	384
Interest Earned	129	244	1,217	1,590
Total Funds Available	<u>29,378</u>	<u>7,884</u>	<u>62,014</u>	<u>99,276</u>
Less:				
Transfers To Depreciation And Contingency Account	-	(384)	-	(384)
Payments on Principal and Interest	<u>(17,548)</u>	<u>-</u>	<u>-</u>	<u>(17,548)</u>
Balance - June 30, 2003	<u>\$ 11,830</u>	<u>\$ 7,500</u>	<u>\$ 62,014</u>	<u>\$ 81,344</u>
<u>\$500,000 1976 Water and Gas Revenue Bonds</u>				
<u>\$100,000 1976 Water and Gas Revenue Bonds</u>				
Balance - July 1, 2002	\$ 28,178	\$ 2,628	\$ 21,642	\$ 52,448
Add:				
Transfers From Operating	35,750	1,650	1,980	39,380
Interest Earned	446	41	228	715
Total Funds Available	<u>64,374</u>	<u>4,319</u>	<u>23,850</u>	<u>92,543</u>
Less:				
Principal and Interest	<u>(38,250)</u>	<u>-</u>	<u>-</u>	<u>(38,250)</u>
Balance - June 30, 2003	<u>\$ 26,124</u>	<u>\$ 4,319</u>	<u>\$ 23,850</u>	<u>\$ 54,293</u>

(Continued)

TOWN OF NEWELLTON
SCHEDULE OF CHANGES IN RESTRICTED ASSETS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003

	<u>Bond and Interest Redemption</u>	<u>Bond Reserve</u>	<u>Depreciation and Contingency</u>	<u>Total</u>
<u>\$315,000 1988 Sewer Revenue Bonds</u>				
Balance - July 1, 2002	\$ 6,596	\$ 9,313	\$ 4,804	\$ 20,713
Add:				
Transfers From Operating	16,970	848	1,012	18,830
Interest Earned	131	98	54	283
Total Funds Available	<u>23,697</u>	<u>10,259</u>	<u>5,870</u>	<u>39,826</u>
Less:				
Principal and Interest	<u>(18,513)</u>	<u>-</u>	<u>-</u>	<u>(18,513)</u>
Balance - June 30, 2003	<u>\$ 5,184</u>	<u>\$ 10,259</u>	<u>\$ 5,870</u>	<u>\$ 21,313</u>
<u>\$506,000 1998 Water Revenue Bonds</u>				
Balance - July 1, 2002	\$ 5,096	\$ 7,437	\$ 7,792	\$ 20,325
Add:				
Transfers From Operating	26,382	1,320	1,408	29,110
Interest Earned	45	82	85	212
Total Funds Available	<u>31,523</u>	<u>8,839</u>	<u>9,285</u>	<u>49,647</u>
Less:				
Principal and Interest	<u>(28,781)</u>	<u>-</u>	<u>-</u>	<u>(28,781)</u>
Balance - June 30, 2003	<u>\$ 2,742</u>	<u>\$ 8,839</u>	<u>\$ 9,285</u>	<u>\$ 20,866</u>
<u>\$130,000 Certificate of Indebtedness</u>				
Balance - July 1, 2002	\$ 19,105	\$ -	\$ -	\$ 19,105
Add:				
Transfers from Operating	17,500	-	-	17,500
Interest Earned	132	-	-	132
Total Funds Available	<u>36,737</u>	<u>-</u>	<u>-</u>	<u>36,737</u>
Less:				
Principal and Interest	<u>(17,460)</u>	<u>-</u>	<u>-</u>	<u>(17,460)</u>
Balance - June 30, 2003	<u>\$ 19,277</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,277</u>

TOWN OF NEWELLTON
SCHEDULE OF CHANGES IN RESTRICTED ASSETS (Concluded)
FOR THE YEAR ENDED JUNE 30, 2003

	<u>Bond and Interest Redemption</u>	<u>Bond Reserve</u>	<u>Depreciation and Contingency</u>	<u>Total</u>
<u>\$80,000 Certificate of Indebtedness</u>				
Balance, June 30, 2002	\$ 2,374	\$ -	\$ -	\$ 2,374
Add:				
Transfers from Operating	996	-	-	996
Intergovernmental Revenue - Local	9,955	-	-	9,955
Interest Earned	29	-	-	29
Total Funds Available	<u>13,354</u>	<u>-</u>	<u>-</u>	<u>13,354</u>
Less:				
Payment on Principal and Interest	<u>(9,955)</u>	<u>-</u>	<u>-</u>	<u>(9,955)</u>
Balance - June 30, 2003	<u>\$ 3,399</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,399</u>

TOWN OF NEWELLTON
SCHEDULE OF INSURANCE COVERAGE
June 30, 2003

Property or Risk And Insurance Company	Kind of Insurance And Term	Maximum Coverage
Employees Louisiana Municipal Risk Management Agency	Worker's Compensation Employers 1/1/03 to 1/1/04	Statutory
Vehicle Louisiana Municipal Risk Management Agency	Liability 5/1/03 to 5/1/06	\$500,000 Deductible - None
Multi-Peril Louisiana Municipal Risk Management Agency	Premises/Operations Products/Completed Operations Medical Payments Fire Legal Liability 5/1/03 to 5/1/06	\$500,000 \$500,000 Aggregate \$1,000 per Person \$10,000 per Accident \$50,000 Deductible - None
Police Department Louisiana Municipal Risk Management Agency	Law Enforcement Officers Comprehensive Liability 5/1/03 to 5/1/06	\$500,000 \$1,000 Deductible
Public Officials Louisiana Municipal Risk Management Agency	Errors and Omissions Liability 5/1/03 to 5/1/06	\$500,000 \$1,000 Deductible
Mayor and Town Clerk	Fidelity Bond	\$85,000 on Each Employee
Assistant Town Clerk Western Surety Company	Fidelity Bond 11/8/02 to 11/8/03	\$50,000
Vehicles Audubon Indemnity Company	Commercial Automobile Physical Damage Coverage 8/20/02 to 8/20/03	Actual Cash Value Deductible \$500.00

(Continued)

TOWN OF NEWELLTON
SCHEDULE OF INSURANCE COVERAGE (Concluded)
June 30, 2003

Property or Risk And Insurance Company	Kind of Insurance And Term	Maximum Coverage
Equipment Audubon Insurance Company	Inland Marine Coverage 8/20/02 to 8/20/03	Actual Cash Value
Buildings and Contents American Central Insurance Co.	Multi-Peril 8/10/02 to 8/10/03	\$535,500 with a 90% Co-insurance Deductible \$1,000
Computer American First Insurance Co.	Commercial Computer Coverage	\$5,000 Deductible \$500

**TOWN OF NEWELLTON, LOUISIANA
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2003**

COMPENSATION PAID ALDERMEN

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

**OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS
AND OMB CIRCULAR A-133**



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

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

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

**Town of Newellton
Newellton, Louisiana**

We have audited the general purpose financial statements of the **Town of Newellton, Louisiana** (the Town) as of and for the year ended June 30, 2003 and have issued our report thereon dated October 22, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor.

Compliance

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we did note an immaterial instance of noncompliance that we have reported to management of the Town in a separate letter dated October 22, 2003.

Internal Control over Financial Reporting

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

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MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**Town of Newellton
Newellton, Louisiana**

accompanying Schedule of Findings and Questioned Costs as items 03-01, 03-02 and 03-03. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider items 03-01 and 03-02 to be material weaknesses.

This report is intended for the information of management of the Town, its oversight agency, other entities granting funds to the Town 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.



(A Professional Accounting Corporation)

October 22, 2003



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

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

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

**Town of Newellton
Newellton, Louisiana**

Compliance

We have audited the compliance of the **Town of Newellton** (the Town) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2003. The Town's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each its major Federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis of our opinion. Our audit does not provide a legal determination on the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to its major Federal programs for the year ended June 30, 2003.

**Town of Newellton
Newellton, Louisiana**

Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



(A Professional Accounting Corporation)

October 22, 2003

TOWN OF NEWELLTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2003

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>CFDA No.</u>	<u>Pass-Through Grantor ID No.</u>	<u>Expenditures</u>
Department of Housing and Urban Development			
Passed Through the State of Louisiana Division of Administration			
Community Development Block Grant			
CDBG Grant - Street Improvements	14.228	574140	\$ <u>331,553</u>

See notes to Schedule of Expenditures of Federal Awards

TOWN OF NEWELLTON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003

Note 1 - General

The accompanying Schedule of Expenditures of Federal Awards presents the activities of all Federal awards of the Town of Newellton (the Town). All Federal awards received from federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

Note 2 - Basis of Accounting

The accompanying schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the Town's general purpose financial statements.

Note 3 - Relationship of the Schedule of Expenditures of Federal Awards to the General Purpose Financial Statements

Intergovernmental revenues – Federal Grants totaling \$331,553 recorded in the Capital Project Funds represents the Federal Awards expended by the Town for the year ended June 30, 2003.

**TOWN OF NEWELLTON
NEWLLTON, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COST
FOR THE YEAR ENDED JUNE 30, 2003**

Summary of Auditor's Results:

- 1) The audit report on the Town of Newellton covering the fiscal year ended June 30, 2003 was unqualified;
- 2) The audit disclosed two instances of reportable conditions presented as items 03-01 and 03-02, which are considered to be material weaknesses;
- 3) There were no instances of noncompliance which were considered to be material to the general purpose financial statements of the Town;
- 4) There were no reportable conditions reported, concerning the internal control over major programs that were considered to be material weaknesses;
- 5) The auditors' report on the Town's compliance with requirements applicable to each major program was unqualified;
- 6) The audit of the Town's compliance with requirements applicable to each major program did not disclose any findings required to be reported under the provisions of OMB Circular A-133, Section .510(a);
- 7) The major Federal program for purposes of the report on compliance with requirements applicable to each major program was Community Block Grant (CFDA No. 14.228);
- 8) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000; and,
- 9) The Town did qualify as a low-risk auditee under OMB Circular A-133 Section .530.

**TOWN OF NEWELLTON
NEWLLTON, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COST
FOR THE YEAR ENDED JUNE 30, 2003**

**Findings related to the financial statements that are required to be reported under
*Government Auditing Standards:***

03-01 UTILITY ACCOUNTS RECEIVABLE

Finding:

As previously reported in the prior year, the accounts receivable and customer deposit subsidiary ledgers are greater than these two accounts in the general ledger and these differences are not being reconciled. The Town of Newellton (the Town) maintains their accounts receivable and customer deposits on billing software that is not a part of their general ledger accounting package. They record their accounts receivable, customer deposits, and utility revenue by journal entry. The utility billing system does provide them with an aged listing of the utility accounts receivable and customer deposits outstanding. It also provides an accounts receivable posting summary of the transactions that have occurred for a specified period. These reports have not been used to reconcile the general ledger accounts to the subsidiary ledgers during the year. It appears that customer deposits are not properly recorded when they are applied to a customer's account and/or refunded. This has resulted in the general ledger not matching the balance in the subsidiary ledger. Therefore, the accounts receivable balance in the general ledger is understated \$2,661 and the customer deposit general ledger account is overstated by \$7,420 at June 30, 2003, which results in revenue being understated by \$10,081.

Recommendation:

The Town should on a daily basis print the accounts receivable posting summary and record a journal entry each day to the general ledger from this summary. Any differences in the balances of accounts receivable and customer deposits per subsidiary ledgers and the general ledger accounts should be reconciled immediately.

Management's Corrective Action Plan:

The Town clerk will begin to record a journal entry each day from the accounts receivable posting summary to their general ledger and will reconcile any differences in the subsidiary ledger and the general ledger account as soon as they can receive proper training on how to prepare the entry and how to reconcile any differences that arises between the subsidiary ledger and the general ledger accounts.

**TOWN OF NEWELLTON
NEWLLTON, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COST
FOR THE YEAR ENDED JUNE 30, 2003**

03-02 CASH DISBURSMENTS

Finding:

During our review of cash disbursements, twelve of the sixty disbursements pulled did not have proper approval of the Mayor and/or the Aldermen before they were paid. Of these invoices, five of them were for utility and telephone charges. These invoices are normally received after the monthly meeting of the Town Council and are due to be paid before the next meeting. The remaining seven were for expenditures that could have received approval from the board before payment. It is the policy of the Town that the invoices be reviewed by the Clerk, Mayor and each Alderman before payment is made. Also they are to be initialed by the Mayor and Aldermen before they are paid.

Recommendation:

We recommend that the Town follow its policy of submitting all invoices to the Mayor and Aldermen for approval before they are paid. Utility and telephone invoices that are received and paid after the monthly meeting of the Council, should be given to them at their next meeting for approval.

Management's Corrective Action Plan:

The Town has only one phone bill, which is presented to the Council for their approval, but sometimes it is received after the monthly meeting and is not approved for payment by the members. Electric bills come twice a month, also after the monthly meeting, and therefore, are not approved. It is impossible for the Clerk to find each member of the Council in order to obtain approval of the invoices before payment is due. The Clerk matches up the invoices and makes the check payable to the utility or telephone company.

03-03 FINES

Finding:

There is no accounting control over tickets issued by the Newellton Police Department, which has resulted in misplaced tickets and the possible loss of fine revenue. Ticket books are kept and issued to individual officers by the Clerk's office. The Clerk records the beginning and ending numbers included in the book and has the officer to sign for the book, but keeps no log of the individual tickets. Once a ticket is issued by an officer, that ticket is turned into the mayor on a daily basis. The Mayor makes a copy of the ticket and gives the Town's copy to the Clerk to file awaiting payment. The Clerk files the ticket by name but does not match it with the numbers of the tickets issued to the officers. We have observed during our audit

**TOWN OF NEWELLTON
NEWLLTON, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COST
FOR THE YEAR ENDED JUNE 30, 2003**

numerous instances where individuals have come to pay their fines, but the Town's copy of the ticket could not be found. Without proper control over the tickets, police officers could issue and collect fines without turning in the ticket. As a result, fines could be misappropriated and not be detected. In addition, tickets can be lost and the fines would not be collected causing a loss of revenue.

Also, the Town is not transmitting all traffic violations to the Secretary of the Department of Public Safety as required by Louisiana Revised Statute 32:393C. This statute requires, upon the conviction and sentencing, forfeiture of bond, or final disposition of the traffic violation, the Town to submit to the Secretary of the Department an abstract of the violation. It is to be submitted no later than thirty days from the date of the conviction and sentencing, forfeiture of bond or final disposition of the ticket. This statute includes all traffic violations, excluding parking tickets, which have been issued under either state statute or municipal ordinance.

Recommendation:

We recommend, in addition, to recording the beginning and ending number of the ticket books being issued to each individual officer, tickets issued by them each day should be turned in to the Town Clerk or the Mayor the next day. The Clerk or the Mayor should log in the ticket and make a copy to be given to the Court. This log should contain the ticket number, date of issue, name of the individual receiving the ticket, and the court date assigned. The original ticket should then be given to the Clerk to be file to await payment. On a monthly basis this log should be compared with the ticket books issued and all missing tickets should be investigated. The Town should immediately begin to forward to the Secretary of the Department of Public Safety all traffic violations that a final disposition has be made as required by Louisiana Revised Statute 32:393C.

Management's Corrective Action Plan:

The Clerk does forward any unpaid tickets to the Department of Public Safety. They have notified this office to forward all tickets. Upon advice of the Town Attorney, the clerk will write for instructions and forms from the Department of Public Safety.

**TOWN OF NEWELLTON
NEWLLTON, LOUISIANA
SUMMARY STATUS OF PRIOR YEAR FINDINGS**

The following is a summary of the status of the findings included in the Schedule of Findings and Questioned Cost and Management Letter dated November 23, 2002, issued in connection with our examination of the financial statement of the Town of Newellton, Louisiana as of and for the year ended June 30, 2002.

Schedule of Findings and Questioned Cost

02-01 Computer Controls

Finding:

The Town has not provided the computer controls needed to prevent the unauthorized changes in the accounting records.

Status:

Passwords were provided and entered into the computer.

02-02 Utility Accounts Receivable

Finding:

Utility accounts receivable and customer deposit general ledger accounts do not agree with the subsidiary ledgers and are not being reconciled to these subsidiary ledgers.

Status:

The Clerk is working with the auditor for proper training.

Management Letter

1. COMPLIANCE WITH LOCAL GOVERNMENT BUDGET ACT

Finding:

The Local Government Budget Act requires, among other things, that the proposed budget be made available for public inspection no later than fifteen days prior to the beginning of the fiscal year. The Town did not make available for public inspection the proposed budget fifteen days prior to the beginning of the year.

Status:

Corrective action has been taken.

**TOWN OF NEWELLTON
NEWLLTON, LOUISIANA
SUMMARY STATUS OF PRIOR YEAR FINDINGS**

2. Cash Disbursements

Finding:

During our review of cash disbursements, we found that the Town is not following its policy of approving invoices before payment is made.

Status:

Invoices are made available to the Council at each monthly meeting. The Council knows to review the bills and sign each one and the purchase orders.



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

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

MANAGEMENT LETTER

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

In planning and performing our audit of the general purpose financial statements of the Town of Newellton (the Town) for the year ended June 30, 2003, we considered its internal control structure in order to determine our auditing procedures for purposes of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure or overall compliance with laws and regulations.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and the overall environment for compliance with laws and regulations. This letter will summarize our comments and suggestions regarding those matters. This letter does not affect our report dated October 22, 2003 on the general-purpose financial statements of the Town.

1. Compliance with Local Government Budget Act (Compliance with Laws, Regulations, Contracts and Grants)

Finding:

The Local Government Budget Act provides, among other things, for the amendment of the budget when actual expenditures exceed budgeted amounts by 5% or more. Even though the Town amended its budget during the year, actual expenditures exceeded budget expenditures by 8.5%

Recommendation:

We recommend the Town monitor the results of the budget to actual activity in the General Fund and all Special Revenue funds on a current basis to ensure budgets are amended as required by the Local Government Budget Act.

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

Management's Corrective Action:

The budget will be closely viewed and the Clerk will make every effort to insure that it does not exceed amounts allowed by the Local Budget Act.

Ruffly Haffner & Assoc

(A Professional Accounting Corporation)

October 22, 2003