

COPIED BY 50948

TOWN OF NEWELLTON, LOUISIANA

Financial Report
As of and For the Year Ended June 30, 2002

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 11/20/02

TOWN OF NEWELLTON, LOUISIANA

FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED JUNE 30, 2002

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report -----	1
 <u>GENERAL PURPOSE FINANCIAL STATEMENTS</u> <u>COMBINED STATEMENTS - OVERVIEW</u> 	
Combined Balance Sheet - All Fund Types and Account Groups -----	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balance - All Governmental Fund Types -----	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (GAAP Basis) and Actual - All Governmental Fund Types Having Annual Appropriated Budgets -----	7
Statement of Revenues, Expenses and Changes in Retained Earnings - Utilities Enterprise Fund -----	8
Statement of Cash Flows - Utilities Enterprise Fund -----	10
Notes to Financial Statements -----	12
 <u>SUPPLEMENTARY INFORMATION</u> 	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - General Fund Council Level of Control-----	31*
Utility Enterprise Fund:	
Comparative Balance Sheets -----	33*
Comparative Statements of Revenues, Expenditures And Changes in Retained Earnings (Deficit) -----	34*
Comparative Statements of Cash Flows -----	36*

TOWN OF NEWELLTON, LOUISIANA

FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED JUNE 30, 2002

TABLE OF CONTENTS (Continued)

	<u>Page</u>
	*Denotes Schedule
Debt Service Funds:	
Combining Balance Sheet -----	38*
Combining Statement of Revenues, Expenditure And Changes in Fund Balance -----	39*
Schedule of Changes in Restricted Assets -----	40*
Schedule of Insurance Coverage -----	43*
Compensation Paid Aldermen -----	45*
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> -----	46
Schedule of Findings and Questioned Costs -----	48
Summary Status of Prior Year Findings -----	50



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

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general-purpose financial statements of the **Town of Newellton, Louisiana** (the Town) as of June 30, 2002, 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, 2002 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2002 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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)

September 27, 2002

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

TOWN OF NEWELLTON, LOUISIANA
 COMBINED BALANCE SHEET - ALL FUND TYPES AND
 ACCOUNT GROUPS
 JUNE 30, 2002

	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	\$ 51,176	\$ 19,105	\$ -	\$ 68,450	\$ -	\$ -	\$ -	\$ -	\$ 147,918	
Accounts Receivable, net	3,965	-	-	44,593	-	-	-	-	48,558	
Other Receivables	1,462	-	-	1,834	-	-	-	-	3,296	
Due From Other Funds	13,232	-	1,575	-	-	-	-	-	14,807	
Prepaid Expenses	-	-	-	808	-	-	-	-	808	
Restricted Assets:										
Cash	-	2,374	-	106,571	-	-	-	-	108,945	
Investments	-	-	-	67,057	-	-	-	-	67,057	
Fixed Assets	-	-	-	6,809,733	534,240	-	-	-	7,343,973	
Accumulated Depreciation	-	-	-	(1,701,240)	-	-	-	-	(1,701,240)	
Amount Available in Debt Service Fund	-	-	-	-	-	-	21,479	-	21,479	
Amount to be Provided For Retirement of General Long-Term Debt	-	-	-	-	-	-	120,898	-	120,898	
TOTAL ASSETS	<u>\$ 69,835</u>	<u>\$ 21,479</u>	<u>\$ 1,575</u>	<u>\$ 5,397,806</u>	<u>\$ 534,240</u>	<u>\$ 142,377</u>	<u>\$ 6,176,499</u>			

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, 2002

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPE		ACCOUNT GROUPS			TOTAL (MEMORANDUM ONLY)
	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS	CAPITAL PROJECT FUND	UTILITIES ENTERPRISE FUND	GENERAL ASSETS	GENERAL LONG-TERM DEBT				
	GENERAL FUND	REVENUE FUND	DEBT SERVICE FUNDS	CAPITAL PROJECT FUND	UTILITIES ENTERPRISE FUND	GENERAL ASSETS	GENERAL LONG-TERM DEBT			
LIABILITIES AND FUND EQUITY										
Liabilities										
Accounts Payable	\$ 15,942	\$ -	\$ 1,575	\$ 13,456	\$ -	\$ -	\$ -	\$ -	\$ 30,973	
Due to Other Funds	1,575	-	-	13,232	-	-	-	-	14,807	
Other Accrued Liabilities	6,447	-	-	6,143	-	-	-	-	12,590	
Customers' Deposits	-	-	-	65,930	-	-	-	-	65,930	
Liabilities Payable From Restricted Assets:										
Accrued Interest Payable	-	-	-	10,058	-	-	-	-	10,058	
Revenue Bonds Payable Current	-	-	-	44,345	-	-	-	-	44,345	
Revenue Bonds Payable - Long Term	-	-	-	1,148,338	-	-	-	-	1,148,338	
General Obligations Bonds Payable	-	-	-	-	-	-	112,271	-	112,271	
Capital Lease Payable	-	-	-	-	-	-	30,106	-	30,106	
Total Liabilities	23,964	-	1,575	1,301,502	-	-	142,377	-	1,469,418	
Fund Equity										
Investment in General Fixed Assets	-	-	-	-	534,240	-	-	-	534,240	
Contributed Capital	-	-	-	4,284,406	-	-	-	-	4,284,406	
Retained Earnings (Deficit):										
Reserved - Depreciation & Contingency	-	-	-	25,234	-	-	-	-	25,234	
Reserved - Debt Service	-	-	-	93,919	-	-	-	-	93,919	
Unreserved	-	-	-	(307,255)	-	-	-	-	(307,255)	
Fund Balance:										
Reserved for Debt Service	-	21,479	-	-	-	-	-	-	21,479	
Unreserved and Undesignated	45,871	9,187	-	-	-	-	-	-	55,058	
Total Fund Equity	45,871	9,187	-	4,096,304	534,240	-	-	-	4,707,081	
TOTAL LIABILITIES AND FUND EQUITY	\$ 69,835	\$ 9,187	\$ 21,479	\$ 5,397,806	\$ 534,240	\$ 142,377	\$ -	\$ -	\$ 6,176,499	

**TOWN OF NEWELLTON, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002**

	<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	\$ 54,169	\$ -	\$ -	\$ -	\$ 54,169
Taxes - Sales and Use	61,873	-	-	-	61,873
Licenses and Permits	39,122	-	-	-	39,122
Intergovernmental Revenue - Federal	39,170	11,803	-	32,807	83,780
Intergovernmental Revenue - State	34,826	-	-	-	34,826
Intergovernmental Revenue - Local	30,140	-	9,872	-	40,012
Fees, Charges, and Commissions for Services	81,611	-	-	-	81,611
Fines and Penalties	22,538	-	-	-	22,538
Interest Income	2,358	36	314	-	2,708
Proceeds from Assets and Other	15,057	-	-	-	15,057
Total Revenues	<u>380,864</u>	<u>11,839</u>	<u>10,186</u>	<u>32,807</u>	<u>435,696</u>
EXPENDITURES					
Current:					
General Government:					
Finance and Administration	108,466	-	-	-	108,466
Public Safety:					
Police Department	91,337	-	-	-	91,337
Fire Department	2,415	-	-	-	2,415
Public Works:					
Street and Sanitation	149,157	-	-	-	149,157
Economic Development	-	9,000	-	-	9,000
Capital Outlay	185,461	-	-	57,997	243,458
Debt Service:					
Retirement of Principal	8,565	-	20,940	-	29,505
Interest and Fiscal Charges	-	-	6,358	-	6,358
Total Expenditures	<u>545,401</u>	<u>9,000</u>	<u>27,298</u>	<u>57,997</u>	<u>639,696</u>
Excess (Deficiency) of Revenues Over Expenditures	(164,537)	2,839	(17,112)	(25,190)	(204,000)
Other Financing Sources (Uses)					
Proceeds from Capital Lease	38,671	-	-	-	38,671
Operating Transfers In	104,373	-	16,955	25,190	146,518
Operating Transfers Out	(42,145)	-	-	(19,532)	(61,677)
Total Other Financing Sources (Uses)	<u>100,899</u>	<u>-</u>	<u>16,955</u>	<u>5,658</u>	<u>123,512</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(63,638)	2,839	(157)	(19,532)	(80,488)
Fund Balance at beginning of year	<u>109,509</u>	<u>6,348</u>	<u>21,636</u>	<u>19,532</u>	<u>157,025</u>
FUND BALANCE AT END OF YEAR	\$ <u>45,871</u>	\$ <u>9,187</u>	\$ <u>21,479</u>	\$ <u>-</u>	\$ <u>76,537</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, 2002

	GENERAL FUND			SPECIAL REVENUE FUND		
	GAAP BASIS BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)	GAAP BASIS BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES						
Taxes - Ad Valorem	\$ 54,000	\$ 54,169	\$ 169	\$ -	\$ -	-
Taxes - Sales and Use	64,000	61,873	(2,127)	-	-	-
Licenses and Permits	40,000	39,122	(878)	-	-	-
Intergovernmental Revenue						
Federal	39,200	39,170	(30)	7,000	7,000	-
State	37,300	34,826	(2,474)	-	-	-
Local	-	30,140	30,140	-	-	-
Franchise Fees	30,400	25,798	(4,602)	-	-	-
Charges For Services	56,200	55,813	(387)	-	-	-
Fines and Penalties	23,500	22,538	(962)	-	-	-
Interest	2,700	2,358	(342)	36	36	-
Miscellaneous Revenues	32,400	15,057	(17,343)	4,803	4,803	-
Total Revenues	<u>379,700</u>	<u>380,864</u>	<u>1,164</u>	<u>11,839</u>	<u>11,839</u>	<u>-</u>
EXPENDITURES						
Current:						
General Government	102,200	108,466	(6,266)	-	-	-
Public Safety:						
Police Department	96,485	91,337	5,148	-	-	-
Fire Department	2,900	2,415	485	-	-	-
Public Works:						
Street and Sanitation	137,750	149,157	(11,407)	-	-	-
Economic Development	-	-	-	9,000	9,000	-
Capital Outlay	185,461	185,461	-	-	-	-
Debt Service	8,565	8,565	-	-	-	-
Total Expenditures	<u>533,361</u>	<u>545,401</u>	<u>(12,040)</u>	<u>9,000</u>	<u>9,000</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	(153,661)	(164,537)	(10,876)	2,839	2,839	-
Other Financing Sources (Uses)						
Proceeds from Capital Lease	38,671	38,671	-	-	-	-
Transfers In	101,000	104,373	3,373	-	-	-
Transfers Out	(43,413)	(42,145)	1,268	-	-	-
Total Other Financing Sources (Uses)	96,258	100,899	4,641	-	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(57,403)	(63,638)	(6,235)	2,839	2,839	-
Fund Balance at beginning of year	<u>109,509</u>	<u>109,509</u>	<u>-</u>	<u>6,348</u>	<u>6,348</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 52,106</u>	<u>\$ 45,871</u>	<u>\$ (6,235)</u>	<u>\$ 9,187</u>	<u>\$ 9,187</u>	<u>\$ -</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, 2002**

Operating Revenues	
Water Sales	\$ 159,342
Gas Sales	455,072
Sewerage Fees	102,254
Plumbing Fees	2,425
Penalties	13,400
Other Operating Revenues	42
Total Operating Revenues	<u>732,535</u>
 Operating Expenses	
Water Supplies and Expenses	46,490
Gas Purchases	190,187
Gas Supplies and Expenses	11,646
Sewer Supplies and Expenses	28,923
Supplies	7,893
Backhoe, Mower and Tractor	12,093
Bad Debts	1,033
Depreciation	129,476
Utilities	51,016
Engineering	7,453
Insurance - General	21,061
Legal and Audit	11,002
Meter Reader	5,241
Office Rent	1,788
Office Supplies	6,735
Payroll Taxes	1,536
Postage	3,594
Salaries and Related Benefits	89,106
Telephone	5,120
Truck	5,482
Dues and Subscriptions	2,053
Travel and Meetings	4,974
Miscellaneous Expenses	3,108
Total Operating Expenses	<u>647,010</u>
 Total Operating Profit	 85,525

(Continued)

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

Nonoperating Revenue (Expense)	
Interest Earnings	5,876
Interest Expense	<u>(60,119)</u>
Total Nonoperating Revenue (Expense)	<u>(54,243)</u>
Income Before Operating Transfers	31,282
Operating Transfers	
Transfers In	19,532
Transfer Out	<u>(104,373)</u>
Total Operating Transfers	<u>(84,841)</u>
Net Loss	(53,559)
Accumulated Deficit At Beginning of Year	<u>(134,543)</u>
ACCUMULATED DEFICIT AT END OF YEAR	<u>\$ (188,102)</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, 2002**

Cash Flows From Operating Activities

Operating Profit	\$ 85,525
Adjustments to Reconcile Operating Profit to Net Cash Provided by Operating Activities:	
Depreciation	129,476
Changes in assets and liabilities:	
Receivables	2,673
Prepaid Expenses	2,573
Accounts and Retainage Payable	(5,240)
Due to Other Funds	(15,801)
Other Accrued Liabilities	694
Customer Deposits	<u>(2,278)</u>
Net Cash Provided by Operating Activities	197,622

Cash Flows From Noncapital Financing Activities

Operating Transfers In	19,532
Operating Transfers Out	<u>(104,373)</u>
Net Cash Used by Noncapital Financing Activities	(84,841)

Cash Flows From Capital and Related Financing Activities

Principal Paid on Bonds	(43,748)
Interest Paid on Bonds	<u>(60,281)</u>
Net Cash Used by Capital and Related Financing Activities	(104,029)

Cash Flows From Investing Activities

Interest Income	5,876
Purchase of Short Term Cash Investments	<u>(9,273)</u>
Net Cash Provided by Investing Activities	(3,397)

(Continued)

FOR THE YEAR ENDED JUNE 30, 2002
STATEMENT OF CASH FLOWS
UTILITIES ENTERPRISE FUND (Concluded)
FOR THE YEAR ENDED JUNE 30, 2002

Net Increase in Cash and Cash Equivalents	5,355
Cash and Cash Equivalents at Beginning of Year	<u>169,666</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 175,021</u></u>
 SHOWN ON ACCOMPANYING COMBINED BALANCE SHEET AS:	
Cash	\$ 68,450
Restricted Assets:	
Cash	<u>106,571</u>
TOTAL	<u><u>\$ 175,021</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, 2002**

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, 2002**

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 -- account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

Capital Project Fund - The Capital Project Fund are 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, accountability or other purposes.

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

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. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The governmental funds are accounted for using

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

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. Rates are charged for services are as follows:

1. Water rates charged:

- a. Residential customers are charged \$ 9.00 for the first 2,000 gallons of water and \$2.25 for each additional 1,000 gallons or fraction thereof.
- b. Commercial customers are charged \$12.00 for the first 20,000 gallons of water used and then \$2.25 for each additional 1,000 gallons or fraction thereof.

2. Sewer rates charged;

- a. Residential customers are billed \$9.00 for the first 3,000 gallons of water used. They are then billed \$1.50 for each 1,000 gallons of water used for the next 7,000 gallons, and for each additional 1,000 used after that, they are billed at \$1.00.
- b. Commercial customers are charged \$12.00 for the first 3,000 gallons of water purchased. They are then charged \$9.00 for each additional 1,000 gallons of water used.

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

3. Gas rates charged to customers are \$12.50 for the first 1,000 cubic of gas used and \$12.50 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.

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

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

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, 2002.

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 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 \$5,621 has been set up for the year ended June 30, 2002.

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

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 \$15,265 for the year ended June 30, 2002.

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 from those estimates.

Note 2 - 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.

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

The Town has \$343,245 in deposits (collected bank balances) as of June 30, 2002, of which \$114,332 was secured from risk by federal deposit insurance (GASB 3 - Category 1). The balance of \$228,913 of the deposits was collateralized with securities held by the financial institution in the name of the Town (GASB 3 - Category 2).

Note 3 - Accounts Receivable

Receivables are primarily composed of amounts due from residential customers living in the Town. Accounts receivable of \$51,854 as of June 30, 2002 are comprised of the following:

<u>Fund Type</u>	<u>Fees</u>	<u>Accounts</u>	<u>Other</u>	<u>Total</u>
General	\$ 3,775	\$ -	\$ 1,652	\$ 5,427
Proprietary	-	50,214	1,834	52,048
Less Allowance for Doubtful Accounts	-	(5,621)	-	(5,621)
Total	\$ 3,775	\$ 44,593	\$ 3,486	\$ 51,854

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, 2002 is as follows:

	<u>Water</u>	<u>Gas</u>	<u>Sewer</u>	<u>Other</u>	<u>Total</u>
Current	\$ 14,661	\$ 15,575	\$ 7,880	\$ 4,286	\$ 42,402
31-60 Days	326	164	218	239	947
61-90 Days	340	374	310	220	1,244
91-120 Days	282	407	100	126	915
Over 120 Days	257	1,659	1,115	1,675	4,706
Total	\$ 15,866	\$ 18,179	\$ 9,623	\$ 6,546	\$ 50,214

Note 4 - 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.

**TOWN OF NEWELLTON, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

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 5 - 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 6 - Fixed Assets

The changes in general fixed assets follows:

	<u>Balance 6/30/01</u>		<u>Additions</u>		<u>Deletions</u>		<u>Balance 6/30/02</u>
Vehicles	\$ 287,433	\$	121,790	\$	56,250	\$	352,973
Furniture and Equipment	<u>157,857</u>		<u>38,671</u>		<u>15,261</u>		<u>181,267</u>
Total	<u>\$ 445,290</u>	\$	<u>160,461</u>	\$	<u>71,511</u>	\$	<u>534,240</u>

A summary of proprietary fund type property, plant and equipment at June 30, 2002, is as follows:

Service Equipment	\$ 105,151
Office Equipment	3,010
Water System	2,033,380
Gas System	1,328,027
Sewer System	3,311,087
Pipeline	9,428
Total	6,790,083
Less: Accumulated Depreciation	(1,701,240)
Net Depreciable Assets	5,088,843
Land	19,650
Total Proprietary Fund Type Property, Plant and Equipment	\$ 5,108,493

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

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 \$129,476 as of June 30, 2002 was charged to expense in the utility fund.

Note 7 - 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, 2002, 2001, and 2000 were \$10,765, \$8,568; and \$7,804, 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

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

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, 2002, 2001, and 2000 were \$1,559, \$2,067, and \$3,323, 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 8 - Long-Term Debt

The following is a summary of long term debt transactions of the Town for the year ended June 30, 2002:

	General Obligation Bonds and Notes	General Obligation Capital Lease	Utilities Enterprise Fund Bonds	Total
Balance at				
Beginning of Year	\$ 133,211	\$ -	\$ 1,236,431	\$ 1,369,642
Additions (Note 10)	-	38,671	-	38,671
Retirements	(20,940)	(8,565)	(43,748)	(73,253)
BALANCE AT END OF YEAR	\$ 112,271	\$ 30,106	\$ 1,192,683	\$ 1,335,060

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

Bonds payable at June 30, 2002 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%.	\$ <u>12,000</u>
Total General Obligation Bonds – Utilities Enterprise Fund	<u>12,000</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%.	41,000
\$200,000 Sewer Revenue bonds dated February 1, 1968; due in annual installments of \$10,898, through February 1, 2008; interest at 4.125%.	31,670
\$550,000 Revenue bonds dated April 6, 1976; due in annual installments of \$29,250 - \$34,350 through April 6, 2016; interest at 5%.	313,000
\$100,000 Revenue bonds dated April 6, 1976; due in annual installments of \$4,400 - \$6,000, through April 6, 2016; interest at 5%.	52,000
\$315,000 Sewer Revenue bonds dated March 23, 1988; due in annual installments of \$18,512 through May 12, 2028; interest at 5%.	259,848
\$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>483,165</u>
Total Revenue Bonds – Utilities Enterprise Fund	<u>1,180,683</u>
Total Utilities Enterprise Fund Bonds	\$ <u>1,192,683</u>

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

General Obligation Notes:

\$130,000 Certificate of Indebtedness, Series 1994, to finance the street overlay project. Payments are made yearly at an interest rate of 6%. Matures on August 1, 2004. 48,000

\$80,000 Certificate of Indebtedness, Series 1999, to finance the purchase of fire truck and equipment. Payments are made monthly at an interest rate of 4.5%. Matures on February 8, 2010. 64,271

Total General Obligation Notes \$ 112,271

Maturities of long term obligations (exclusive of capital lease obligations) of the Town including interest of \$925,079 are as follows:

Fiscal Year Ended June 30,	General Obligation Bonds	Enterprise Fund Bonds	Total
2003	27,385	103,024	130,409
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
2008-2012	26,122	451,372	477,494
2013-2017	-	382,445	382,445
2018-2022	-	235,694	235,694
2023-2027	-	235,694	235,694
2028-2032	-	158,219	158,219
2033-2038	-	148,217	148,217
	<u>\$ 128,337</u>	<u>\$ 2,101,696</u>	<u>\$ 2,230,033</u>

For the fiscal year ended June 30, 2002, the amount of interest charged to expense on general obligations bonds was \$6,358 and the amount on revenue bonds was \$60,119.

Note 9 - 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

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

provide an adequate depreciation fund, as follows:

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

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

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

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

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

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

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;

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

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, 2002:

	<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	\$ 2,374	\$ 2,374	\$ -
 <u>Utility Fund</u>			
1968 Sewer Revenue Bonds			
1973 Sewer Revenue Bonds			
1974 Water Distribution G. O. Bonds			
Bond and Interest Redemption Fund	12,749	12,749	-
Bond Reserve Fund	7,640	-	7,640
Depreciation and Contingency Fund	59,753	336	59,417
 1976 Water and Gas Revenue Bonds			
Bond and Interest Redemption Fund	28,178	28,178	-
Bond Reserve Fund	2,628	2,628	-
Depreciation and Contingency Fund	21,642	21,642	-
 1988 Sewer Revenue Bonds			
Bond and Interest Redemption Fund	6,596	6,596	-
Bond Reserve Fund	9,313	9,313	-
Depreciation and Contingency Fund	4,804	4,804	-
 1998 Water Revenue Bonds			
Bond and Interest Redemption Fund	5,096	5,096	-
Bond Reserve Fund	7,437	7,437	-
Depreciation and Contingency Fund	7,792	7,792	-
 Total	 \$ <u>176,002</u>	 \$ <u>108,945</u>	 \$ <u>67,057</u>

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

Note 10 - Leases

In fiscal 2002, the Town entered into a capital lease obligation for the purchase of certain equipment which will be paid out of General Fund Revenues. The original amount of the obligation was \$38,671 and bears interest at 5.378%. The future minimum lease payments until maturity (April, 2006) are as follows:

Fiscal Year Ended June 30,	Future Minimum Lease Payments
2003	\$ 8,565
2004	8,565
2005	8,565
2006	8,565
	<u>34,260</u>
Less Amount representing Interest Present Value of Future Minimum Lease Payments	<u>(4,154)</u>
	<u>\$ 30,106</u>

Note 11 - Interfund Receivables and Payables

Individual fund interfund receivables and payables at June 30, 200, are as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 13,232	\$ 1,575
Utility Enterprise Fund	-	13,232
Capital Project Funds	1,575	-
TOTAL	<u>\$ 14,807</u>	<u>\$ 14,807</u>

Fund	Operating Transfers	
	In	Out
General Fund	\$ 104,373	\$ 42,145
Utility Enterprise Fund	19,532	104,373
Debt Service Fund	16,955	-
Capital Projects	25,190	19,532
TOTAL	<u>\$ 166,050</u>	<u>\$ 166,050</u>

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

Note 12 - On-Behalf Payments

Certain Town employees in the Police Department receive supplemental pay from the state of Louisiana. In accordance with GASB Statement No. 24 *"Accounting and Financial Reporting for Certain Grants and Other Financial Assistance"*, the Town has recorded revenues and expenditures for these payments in the General Fund in the amount of \$3,000.

Note 13 - Intergovernmental Agreement - Gas Transmission and Distribution Operations

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. By long-term agreement, the Towns of Newellton and St. Joseph equally share the cost of operating the gas transmission and distribution system. The Town's share of these operating costs is included in Gas Purchases for the year ended June 30, 2002.

Note 14 - Risk Financing Activities

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

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, 2002**

	<u>GAAP BASIS BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Taxes - Ad Valorem	\$ 54,000	\$ 54,169	\$ 169
Taxes - Sales and Use	64,000	61,873	(2,127)
Licenses and Permits:			
Franchise Revenue	30,400	25,798	(4,602)
Occupational & Other Licenses	40,000	39,122	(878)
Intergovernmental Revenues	12,300	9,826	(2,474)
Charges for Services	56,200	55,813	(387)
Grant Revenues	64,200	64,170	(30)
Fines	23,500	22,538	(962)
Interest Income	2,700	2,358	(342)
Miscellaneous Revenues	32,400	45,197	12,797
Total Revenues	379,700	380,864	1,164
Expenditures			
General Government:			
Salaries and Benefits	65,900	66,154	(254)
Operating Services	10,900	16,519	(5,619)
Contractual Services	20,300	20,750	(450)
Travel and Other Charges	5,100	5,043	57
Total General Government	102,200	108,466	(6,266)
Public Safety:			
Police Department:			
Salaries and Benefits	70,600	66,282	4,318
Operating Services	12,385	11,211	1,174
Operating Supplies and Maintenance	11,100	11,459	(359)
Contractual Services	2,400	2,385	15
Capital Outlay	44,000	44,000	-
Total Police Department	140,485	135,337	5,148

(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, 2002

	<u>GAAP BASIS BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
Fire Protection:			
Operating Services	2,900	2,415	485
Operating Supplies and Maintenance	-	-	-
Total Fire Protection	<u>2,900</u>	<u>2,415</u>	<u>485</u>
Public Works:			
Street and Sanitation:			
Salaries and Benefits	62,800	70,531	(7,731)
Operating Services	70,250	74,074	(3,824)
Operating Supplies and Maintenance	4,700	4,552	148
Capital Outlay	141,461	141,461	-
Debt Service	8,565	8,565	-
Total Public Works	<u>287,776</u>	<u>299,183</u>	<u>(11,407)</u>
Total Expenditures	<u>533,361</u>	<u>545,401</u>	<u>(12,040)</u>
Deficiency of Revenues Over Expenditures	(153,661)	(164,537)	(10,876)
Other Financing Sources			
Proceeds of Debt Issued	38,671	38,671	-
Operating Transfers - In	101,000	104,373	3,373
Operating Transfers - Out	(43,413)	(42,145)	1,268
Total Other Financing Sources	<u>96,258</u>	<u>100,899</u>	<u>4,641</u>
Deficiency of Revenues and Other Sources Over Expenditures and Other Uses	(57,403)	(63,638)	(6,235)
Fund Balance at Beginning of Year	<u>109,509</u>	<u>109,509</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 52,106</u>	<u>\$ 45,871</u>	<u>\$ (6,235)</u>

TOWN OF NEWELLTON, LOUISIANA
COMPARATIVE BALANCE SHEETS - UTILITY ENTERPRISE FUND
JUNE 30, 2002 AND 2001

	2002	2001
ASSETS		
Cash	\$ 68,450	\$ 60,781
Accounts Receivable, net	44,593	47,364
Other Receivables	1,834	1,736
Prepaid Expenses	808	3,381
Restricted Assets:		
Cash	106,521	108,885
Investments	67,057	57,784
Fixed Assets	6,809,733	6,809,733
Accumulated Depreciation	<u>(1,701,240)</u>	<u>(1,571,764)</u>
TOTAL ASSETS	\$ <u>5,397,756</u>	\$ <u>5,517,900</u>
LIABILITIES AND FUND EQUITY		
Liabilities		
Accounts Payable	\$ 13,456	\$ 18,696
Due to Other Funds	13,232	29,033
Other Accrued Liabilities	6,129	5,435
Deferred Revenues	14	14
Customers' Deposits	65,930	68,208
Liabilities Payable From Restricted Assets:		
Accrued Interest Payable	10,058	10,220
Revenue Bonds Payable Current	44,345	43,263
Revenue Bonds Payable - Long Term	<u>1,148,338</u>	<u>1,193,168</u>
Total Liabilities	1,301,502	1,368,037
Fund Equity		
Contributed Capital	4,284,406	4,284,406
Retained Earnings (Deficit):		
Reserved - Depreciation & Contingency	25,234	36,573
Reserved - Debt Service	93,919	84,178
Unreserved	<u>(307,255)</u>	<u>(255,294)</u>
Total Fund Equity	<u>4,096,304</u>	<u>4,149,863</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>5,397,806</u>	\$ <u>5,517,900</u>

TOWN OF NEWELLTON, LOUISIANA
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN
ACCUMULATED DEFICIT - UTILITIES ENTERPRISE FUND
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001

	<u>2002</u>	<u>2001</u>
Operating Revenues		
Water Sales	\$ 159,342	\$ 130,405
Gas Sales	455,072	537,229
Sewerage Fees	102,254	110,188
Plumbing Fees	2,425	3,013
Penalties	13,400	15,942
Other Operating Revenues	42	237
Total Operating Revenues	<u>732,535</u>	<u>797,014</u>
 Operating Expenses		
Water Supplies and Expenses	46,490	53,951
Gas Purchases	190,187	328,782
Gas Supplies and Expenses	11,646	10,703
Sewer Supplies & Expense	28,923	42,067
Supplies	7,893	5,531
Backhoe, Mower and Tractor	12,093	5,294
Bad Debts	1,033	3,688
Depreciation	129,476	128,871
Utilities	51,016	44,197
Engineering	7,453	25,949
Insurance - General	21,061	11,414
Legal and Audit	11,002	9,470
Meter Reader	5,241	5,958
Office Rent	1,788	1,230
Office Supplies	6,735	4,306
Payroll Taxes	1,536	482
Postage	3,594	2,716
Salaries and Related Benefits	89,106	85,802
Telephone	5,120	5,434
Truck	5,482	6,449
Dues and Subscriptions	2,053	1,526
Travel and Meetings	4,974	5,369
Miscellaneous Expenses	3,108	7
Total Operating Expenses	<u>647,010</u>	<u>789,196</u>
 Total Operating Profit	 85,525	 7,818

(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, 2002 AND 2001

	2002	2001
Nonoperating Revenue (Expense)		
Interest Earnings	5,876	8,072
Interest Expense	(60,119)	(62,978)
Total Nonoperating Revenue (Expense)	(54,243)	(54,906)
Income (Loss) Before Operating Transfers	31,282	(47,088)
Operating Transfers		
Transfer In	19,532	-
Transfer Out	(104,373)	(1,500)
Total Operating Transfers	(84,841)	(1,500)
Net Loss	(53,559)	(48,588)
Accumulated Deficit At Beginning of Year	(134,543)	(85,955)
ACCUMULATED DEFICIT AT END OF YEAR	\$ (188,102)	\$ (134,543)

**TOWN OF NEWELLTON, LOUISIANA
COMPARATIVE STATEMENTS OF CASH FLOWS
UTILITIES ENTERPRISE FUND
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001**

	2002	2001
Cash Flows From Operating Activities		
Operating Profit	\$ 85,525	\$ 7,818
Adjustments to Reconcile Operating Profit to Net Cash Provided by Operating Activities:		
Depreciation	129,476	128,871
Changes in assets and liabilities:		
Receivables	2,673	(6,473)
Prepaid Expenses	2,573	146
Accounts and Retainage Payable	(5,240)	2,654
Due from Other Funds	-	95
Due to Other Funds	(15,801)	10,171
Other Accrued Liabilities	694	1,951
Customer Deposits	(2,278)	2,525
Net Cash Provided by Operating Activities	197,622	147,758
 Cash Flows From Noncapital Financing Activities		
Operating Transfers In	19,532	-
Operating Transfers Out	(104,373)	(1,500)
Net Cash Used by Noncapital Financing Activities	(84,841)	(1,500)
 Cash Flows From Capital and Related Financing Activities		
Principal Paid on Bonds	(43,748)	(42,431)
Interest Paid on Bonds	(60,281)	(62,978)
Purchases of Fixed Assets	-	(17,149)
Net Cash Used by Capital and Related Financing Activities	(104,029)	(122,558)
 Cash Flows From Investing Activities		
Interest Income	5,876	8,072
Purchases of Short Term Cash Investments	(9,273)	-
Maturities of Short Term Cash Investments	-	3,509
Net Cash Provided (Used) by Investing Activities	(3,397)	11,581
 Net Increase in Cash and Cash Equivalents	5,355	35,281
 Cash and Cash Equivalents at Beginning of Year	169,666	134,385
 CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 175,021	\$ 169,666

(Continued)

**TOWN OF NEWELLTON, LOUISIANA
 COMPARATIVE STATEMENTS OF CASH FLOWS
 UTILITIES ENTERPRISE FUND (Concluded)
 FOR THE YEARS ENDED JUNE 30, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
SHOWN ON ACCOMPANYING COMBINED BALANCE SHEET AS:		
Cash	\$ 68,450	60,781
Restricted Assets:		
Cash	<u>106,571</u>	<u>108,885</u>
TOTAL	<u>\$ 175,021</u>	<u>169,666</u>

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

Increase in Fixed Assets and Contributed Capital from Capital Project Funds	\$ <u> -</u>	\$ <u>412,071</u>
---	-----------------------	-------------------

**TOWN OF NEWELLTON, LOUISIANA
 COMBINING BALANCE SHEET
 ALL DEBT SERVICE FUNDS
 AS OF JUNE 30, 2002**

	Fire Department	Street Project	Total
ASSETS			
Cash	\$ <u>2,374</u>	\$ <u>19,105</u>	\$ <u>21,479</u>
TOTAL ASSETS	\$ <u><u>2,374</u></u>	\$ <u><u>19,105</u></u>	\$ <u><u>21,479</u></u>
 LIABILITIES AND FUND EQUITY			
Liabilities	\$ -	\$ -	\$ -
Fund Equity			
Reserved for Debt Service	<u>2,374</u>	<u>19,105</u>	<u>21,479</u>
Total Fund Equity	<u>2,374</u>	<u>19,105</u>	<u>21,479</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u><u>2,374</u></u>	\$ <u><u>19,105</u></u>	\$ <u><u>21,479</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, 2002**

	<u>Fire Department</u>	<u>Street Project</u>	<u>Total</u>
REVENUES			
Intergovernmental Revenue	\$ 9,872	\$ -	\$ 9,872
Interest Income	27	287	314
Total Revenues	<u>9,899</u>	<u>287</u>	<u>10,186</u>
EXPENDITURES			
Debt Service:			
Retirement of Principal	6,940	14,000	20,940
Interest and Fiscal Charges	3,015	3,343	6,358
Total Expenditures	<u>9,955</u>	<u>17,343</u>	<u>27,298</u>
Deficiency of Revenues Over Expenditures	(56)	(17,056)	(17,112)
Other Financing Sources (Uses)			
Operating Transfers In	913	16,042	16,955
Operating Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>913</u>	<u>16,042</u>	<u>16,955</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	857	(1,014)	(157)
Fund Balance at beginning of year	<u>1,517</u>	<u>20,119</u>	<u>21,636</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,374</u>	<u>\$ 19,105</u>	<u>\$ 21,479</u>

TOWN OF NEWELLTON
SCHEDULE OF CHANGES IN RESTRICTED ASSETS
FOR THE YEAR ENDED JUNE 30, 2002

	<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, 2001	\$ 17,986	\$ 7,500	\$ 57,856	\$ 83,342
Add:				
Transfers from Operating Account	12,000	-	2,600	14,600
Interest Earned	248	140	3,063	3,451
Total Funds Available	<u>30,234</u>	<u>7,640</u>	<u>63,519</u>	<u>101,393</u>
Less:				
Payments on Principal and Interest	(17,485)	-	-	(17,485)
Funds Over Contributed			(3,766)	(3,766)
Balance - June 30, 2002	<u>\$ 12,749</u>	<u>\$ 7,640</u>	<u>\$ 59,753</u>	<u>\$ 80,142</u>
\$500,000 1976 Water and Gas Revenue Bonds				
<u>\$100,000 1976 Water and Gas Revenue Bonds</u>				
Balance - July 1, 2001	\$ 27,941	\$ 811	\$ 19,178	\$ 47,930
Add:				
Transfers From Operating	39,000	1,800	2,160	42,960
Interest Earned	487	17	304	808
Total Funds Available	<u>67,428</u>	<u>2,628</u>	<u>21,642</u>	<u>91,698</u>
Less:				
Principal and Interest	(39,250)	-	-	(39,250)
Balance - June 30, 2002	<u>\$ 28,178</u>	<u>\$ 2,628</u>	<u>\$ 21,642</u>	<u>\$ 52,448</u>

(Continued)

TOWN OF NEWELLTON
SCHEDULE OF CHANGES IN RESTRICTED ASSETS (Continued)
FOR THE YEAR ENDED JUNE 30, 2002

	<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, 2001	\$ 6,409	\$ 8,256	\$ 3,638	\$ 18,303
Add:				
Transfers From Operating	18,520	926	1,104	20,550
Interest Earned	180	131	62	373
Total Funds Available	<u>25,109</u>	<u>9,313</u>	<u>4,804</u>	<u>39,226</u>
Less:				
Principal and Interest	<u>(18,513)</u>	<u>-</u>	<u>-</u>	<u>(18,513)</u>
Balance - June 30, 2002	<u>\$ 6,596</u>	<u>\$ 9,313</u>	<u>\$ 4,804</u>	<u>\$ 20,713</u>
<u>\$506,000 1998 Water Revenue Bonds</u>				
Balance - July 1, 2001	\$ 5,034	\$ 5,899	\$ 6,153	\$ 17,086
Add:				
Transfers From Operating	28,781	1,440	1,536	31,757
Interest Earned	62	98	103	263
Total Funds Available	<u>33,877</u>	<u>7,437</u>	<u>7,792</u>	<u>49,106</u>
Less:				
Principal and Interest	<u>(28,781)</u>	<u>-</u>	<u>-</u>	<u>(28,781)</u>
Balance - June 30, 2002	<u>\$ 5,096</u>	<u>\$ 7,437</u>	<u>\$ 7,792</u>	<u>\$ 20,325</u>
<u>\$130,000 Certificate of Indebtedness</u>				
Balance - July 1, 2001	\$ 20,119	\$ -	\$ -	\$ 20,119
Add:				
Transfers from Operating	16,042	-	-	16,042
Interest Earned	286	-	-	286
Total Funds Available	<u>36,447</u>	<u>-</u>	<u>-</u>	<u>36,447</u>
Less:				
Principal and Interest	<u>(17,342)</u>	<u>-</u>	<u>-</u>	<u>(17,342)</u>
Balance - June 30, 2002	<u>\$ 19,105</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,105</u>

(Continued)

TOWN OF NEWELLTON
SCHEDULE OF CHANGES IN RESTRICTED ASSETS (Concluded)
FOR THE YEAR ENDED JUNE 30, 2002

	<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, 2001	\$ 1,517	\$ -	\$ -	\$ 1,517
Add:				
Transfers from Operating	913	-	-	913
Intergovernmental Revenue - Local	9,872	-	-	9,872
Interest Earned	27	-	-	27
Total Funds Available	<u>12,329</u>	<u>-</u>	<u>-</u>	<u>12,329</u>
Less:				
Payment on Principal and Interest	<u>(9,955)</u>	<u>-</u>	<u>-</u>	<u>(9,955)</u>
Balance - June 30, 2002	<u>\$ 2,374</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,374</u>

TOWN OF NEWELLTON
SCHEDULE OF INSURANCE COVERAGE
June 30, 2002

Property or Risk And Insurance Company	Kind of Insurance And Term	Maximum Coverage
Employees Louisiana Municipal Risk Management Agency	Worker's Compensation Employers 1/1/02 to 1/1/03	Statutory
Vehicle Louisiana Municipal Risk Management Agency	Liability 5/1/02 to 5/1/03	\$500,000 Deductible - None
Multi-Peril Louisiana Municipal Risk Management Agency	Premises/Operations Products/Completed Operations Medical Payments Fire Legal Liability 5/01/02 to 5/01/03	\$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 5/01/02 to 5/01/03	\$500,000 \$1,000 Deductible
Public Officials Louisiana Municipal Risk Management Agency	Errors and Omissions Liability 5/01/02 to 5/01/03	\$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 8/10/02 to 8/10/03	Actual Cash Value Deductible \$500.00

(Continued)

TOWN OF NEWELLTON
SCHEDULE OF INSURANCE COVERAGE (Concluded)
June 30, 2001

Property or Risk And Insurance Company	Kind of Insurance And Term	Maximum Coverage
Equipment Audubon Insurance Company	Inland Marine Coverage 8/10/02 to 8/10/03	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

**TOWN OF NEWELLTON, LOUISIANA
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2002**

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>



Francis I. Huffman, CPA
L. Fred Monroe, CPA
Esther Attenberry, 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, 2002 and have issued our report thereon dated September 27, 2002. 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 September 27, 2002.

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

**Town of Newellton
Newellton, Louisiana**

record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings as items 02-01 and 02-02.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider items 02-01 and 02-02 to be material weaknesses. We also noted other matters involving the internal control over financial reporting which we have reported to management of the Town in a separate letter dated September 27, 2002.

This report is intended for the information of management of the Town, its oversight agency, other entities granting funds to the Town and the Legislative Auditor for the state of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.



(A Professional Accounting Corporation)

September 27, 2002

**TOWN OF NEWELLTON, LOUISIANA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002**

02-01 Computer Controls

Finding:

The Town has not provided the computer controls needed to prevent the unauthorized changes to the accounting records. They use a vendor-supplied accounting package and do not have access to the source codes to the program. It is maintained on a stand-alone computer in the Clerk's office, to which there is limited physical access. However, the workstation is not password protected. Anyone that could get into the office would have access to change the accounting data. There are safeguards that are built into the accounting program that are not being used to keep current and historical information from being changed. Since the Town is not using the computer controls to prevent unauthorized changes in the accounting records, changes could be made and go undetected by them.

Recommendation:

The computer used by the Clerk to maintain the accounting records of the Town should be password protected through the computer's operating system in order to keep unauthorized access to the accounting data. The Town should also use the safeguards that are available in the vendor supplied accounting package. These safeguards include the use of a password to delete, add or change a transaction after year-end. They also provide an audit trail that keeps track of all the changes made to the transactions, including the name of the user that made the change. These safeguards should be used beginning immediately, and a printout of the audit trail be reviewed on regular basis.

Management's Corrective Action Plan:

The Clerk, after receiving the proper training, will password protect the accounting data and the Town has already issued passwords to the appropriate users.

02-02 Utility Accounts Receivable

Finding:

During our audit of the utility accounts receivable, we noted that accounts receivable control accounts did not agree with the subsidiary ledgers and the control accounts were not being reconciled to the subsidiary ledgers. The Town maintains their accounts receivable and customer deposits on billing software that is not a part of their general ledger accounting system. They record their accounts receivable, customer deposit, and utility revenue by journal entry. The billing system provides a listing of the aged accounts receivable and a list of the customer deposits outstanding. The Town is not using these reports to reconcile the control account to the subsidiary ledgers during the year, which has resulted in the accounts receivable

**TOWN OF NEWELLTON, LOUISIANA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002**

control account being understated by \$1,214 and the customer deposit control account being overstated by \$7,592 for the year ended June 30, 2002. It also caused the utility revenue to be understated by \$8,806.

Recommendation:

The Town should reconcile on a monthly basis the utility aged accounts receivable and customer deposits subsidiary ledgers with the general ledger control accounts.

Management's Corrective Action Plan:

The Clerk, after receiving the proper training in reconciling the control accounts to the subsidiary ledgers, will reconcile these accounts on a regular basis.

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

The following is a summary of the status of the findings included in the Schedule of Findings and Questioned Cost and Management Letter dated November 23, 2001, 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, 2001.

Schedule of Findings and Questioned Cost

01-01 Police Department Ticket Books

FINDING:

The Town Clerk's office no longer maintains control over Police Department Ticket books stock or is able to determine if all tickets issued to the policemen have been accounted for. Also subsequent to June 30, 2001 the Police Chief was arrested due to allegation of his involvement in a conspiracy with the Justice of the Peace on ticket writing and the illegal collection of fines

Status:

Corrective action has been taken.

Management Letter

1. COMPLIANCE WITH LOCAL GOVERNMENT BUDGET ACT

Finding:

The Local Government Budget Act requires, among other things, that a budget be amended when actual revenues fall short of budgeted revenues by 5 percent or more. For the year ended June 30, 2001, revenues of the General Fund fell short of budget amounts by 8.57 percent.

Status:

Corrective action has been taken.

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

2. *WATER, GAS, AND SEWER BILLING MATTERS*

Finding:

In our test of the billing rates for the Utility Fund, we found that the Town was using incorrect billing rates when compared by those set by the Board of Aldermen.

Status:

Corrective action has been taken.



Francis I. Huffman, CPA
L. Fred Monroe, CPA
Esther Attenberry, 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, 2002, 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 September 27, 2002 on the general-purpose financial statements of the Town.

1. 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. The notice of a public hearing on the proposed budget was published in the Town's official journal on June 27, 2001 and the hearing was held June 28, 2001.

Recommendation:

The Town should make every effort to be sure that the proposed budget is made available for public inspection fifteen days before the beginning of the year in accordance with the Local Government Budget Act.

Management's Corrective Action:

The Town Clerk will make sure that the Town's official journal receives and publishes the proposed budget in the time frame as required by the Local Government Budget Act.

2. Cash Disbursements

Finding:

During our review of cash disbursements of the Town, we noted that fourteen out of the sixty invoices we examined did not have proper approval either by the Mayor or the Board of Aldermen before payment. We also noted that six payments did not contain any supporting documentation or approval. The policy of the Town for payment of invoices requires that the Town Clerk, Mayor and Aldermen reviewed them before payment. The policy also requires that these invoices are to be initialed by the Mayor or Aldermen before payment. The effect of these policies not being followed by the Town is that misappropriation of assets could occur and go undetected.

Recommendation:

We recommend that the management of the Town follow its policy of submitting invoices to the Mayor or Aldermen for approval before they are paid.

Management's Corrective Action Plan:

The Clerk will present invoices each month. The Mayor will advise the Council to review and sign them. The Mayor will advise the Council that invoices can be viewed prior to the meeting. Ample time should be considered on/or before the meeting date for a through review of the invoices.



(A Professional Accounting Corporation)

September 27, 2002