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TOWN OF NEWELLTON, LOUISIANA

Financial Report As of and For the Year Ended June 30, 1998

Under provisions of state law, this report is a public document. A copy of this report has been submitted to the Louisiana State Auditor, State Auditor of Louisiana and other states. A copy of this report is also being furnished to the Board of Supervisors of the Parish of Iberville, Louisiana, at the office of the parish clerk of court.

Release Date ~~FEB 17 1999~~

TOWN OF NEWELLTON, LOUISIANA
FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED JUNE 30, 1998

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TOWN OF NEWELLTON, LOUISIANA
FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED JUNE 30, 1998

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Luffey
Huffman
& Monroe

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INDEPENDENT AUDITORS' REPORT

**Mayor Edwin Preis
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, 1998, 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 generally accepted auditing standards; the standards for financial and compliance 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, 1998 and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 1998 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.

**Mayor Edwin Preis
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.

Luffey, Huffman + Marice (APAC)

September 25, 1998

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

TOWN OF NEWELLTON, LOUISIANA
COMBINED BALANCE SHEET - ALL FUND TYPES AND
ACCOUNT GROUPS
JUNE 30, 1998

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPE		ACCOUNT GROUPS			TOTAL (MEMORANDUM ONLY)
	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS	CAPITAL PROJECT FUNDS	UTILITIES ENTERPRISE FUND	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT		
ASSETS									
Cash	\$ 49,527	\$ -	\$ 17,720	\$ -	\$ 79,085	\$ -	\$ -	\$ -	146,332
Accounts Receivable	6,457	-	-	287,947	42,670	-	-	-	337,074
Other Receivables	60	-	-	-	658	-	-	-	718
Due From Other Funds	5,504	-	-	-	95	-	-	-	5,599
Prepaid Expenses	320	-	-	-	6,306	-	-	-	6,626
Restricted Assets:									
Cash	-	-	-	-	66,441	-	-	-	66,441
Investments	-	-	-	-	50,414	-	-	-	50,414
Fixed Assets	-	-	-	-	5,431,764	241,543	-	-	5,673,307
Accumulated Depreciation	-	-	-	-	(1,236,262)	-	-	-	(1,236,262)
Amount Available in Debt Service Fund	-	-	-	-	-	-	17,625	-	17,625
Amount to be Provided For Retirement of									
General Long-Term Debt	-	-	-	-	-	-	117,072	-	117,072
TOTAL ASSETS	\$ 61,868	\$ -	\$ 17,720	\$ 287,947	\$ 4,441,171	\$ 241,543	\$ 134,697	\$ -	\$ 5,184,946

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, 1998

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPE		ACCOUNT GROUPS			TOTAL (MEMORANDUM ONLY)
	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS	CAPITAL PROJECT FUNDS	UTILITIES ENTERPRISE FUND	GENERAL ASSETS	GENERAL LONG-TERM DEBT			
LIABILITIES AND FUND EQUITY										
Liabilities	\$									
Accounts Payable	3,865	-	-	287,947	4,702	-	-	-		296,514
Due to Other Funds	-	-	95	-	5,504	-	-	-		5,599
Other Accrued Liabilities	5,538	-	-	-	1,946	-	-	-		7,484
Customers' Deposits	-	-	-	-	57,150	-	-	-		57,150
Capital Lease Obligation - Current	-	-	-	-	4,336	-	-	-		4,336
Liabilities Payable From Restricted Assets:										
Accrued Interest Payable	-	-	-	-	11,892	-	-	-		11,892
Revenue Bonds Payable Current	-	-	-	-	35,300	-	-	-		35,300
Revenue Bonds Payable - Long Term	-	-	-	-	1,313,787	-	-	-		1,313,787
Capital Lease Obligation - Long Term	-	-	-	-	-	-	16,540	-		16,540
General Obligations Bonds Payable	-	-	-	-	-	-	118,157	-		118,157
Total Liabilities	9,403	-	95	287,947	1,434,617	-	134,697	-		1,866,759
Fund Equity										
Investment in General Fixed Assets	-	-	-	-	-	241,543	-	-		241,543
Contributed Capital	-	-	-	-	2,935,585	-	-	-		2,935,585
Retained Earnings:										
Reserved - Depreciation & Contingency	-	-	-	-	19,058	-	-	-		19,058
Reserved - Debt Service	-	-	-	-	26,655	-	-	-		26,655
Unreserved	-	-	-	-	25,256	-	-	-		25,256
Fund Balance:										
Reserved for Debt Service	-	-	17,625	-	-	-	-	-		17,625
Unreserved and Undesignated	52,465	-	-	-	-	-	-	-		52,465
Total Fund Equity	52,465	-	17,625	-	3,006,554	241,543	-	-		3,318,187
TOTAL LIABILITIES AND FUND EQUITY	\$ 61,868	\$ -	\$ 17,720	\$ 287,947	\$ 4,441,171	\$ 241,543	\$ 134,697	\$ -		\$ 5,184,946

**TOWN OF NEWELLTON, LOUISIANA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES -
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1998**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>DEBT SERVICE FUNDS</u>	<u>CAPITAL PROJECT FUNDS</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
REVENUES					
Taxes - Ad Valorem	\$ 47,335	\$ -	\$ -	\$ -	47,335
Taxes - Sales and Use	64,910	-	-	-	64,910
Licenses and Permits	47,859	-	-	-	47,859
Intergovernmental Revenue - Federal	14,250	6,000	-	511,586	531,836
Intergovernmental Revenue - State	17,934	-	-	-	17,934
Intergovernmental Revenue - Local	1,233	659	-	-	1,892
Fees, Charges, and Commissions for Services	98,261	-	-	-	98,261
Fines and Penalties	1,519	-	-	-	1,519
Interest Income	985	-	156	-	1,141
Miscellaneous Income	1,353	-	-	-	1,353
Total Revenues	<u>295,639</u>	<u>6,659</u>	<u>156</u>	<u>511,586</u>	<u>814,040</u>
EXPENDITURES					
Current:					
General Government:					
Finance and Administration	102,999	-	-	-	102,999
Public Safety:					
Police Department	44,815	-	-	-	44,815
Fire Department	11,435	-	-	-	11,435
Public Works:					
Street and Sanitation	84,522	-	-	-	84,522
Economic Development	-	6,000	-	-	6,000
Capital Outlay:					
Equipment and Fixtures	18,480	659	-	-	19,139
Construction Expense	-	-	-	544,127	544,127
Debt Service:					
Retirement of Principal	14,455	-	10,000	-	24,455
Interest and Fiscal Charges	3,190	-	6,372	-	9,562
Total Expenditures	<u>279,896</u>	<u>6,659</u>	<u>16,372</u>	<u>544,127</u>	<u>847,054</u>
Excess (Deficiency) of Revenues Over Expenditures	15,743	-	(16,216)	(32,541)	(33,014)
Other Financing Sources (Uses)					
Operating Transfers In	12,064	-	19,378	32,541	63,983
Operating Transfers Out	(19,378)	-	-	-	(19,378)
Total Other Financing Sources (Uses)	<u>(7,314)</u>	<u>-</u>	<u>19,378</u>	<u>32,541</u>	<u>44,605</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses	8,429	-	3,162	-	11,591
Fund Balance at beginning of year	<u>44,036</u>	<u>-</u>	<u>14,463</u>	<u>-</u>	<u>58,499</u>
FUND BALANCE AT END OF YEAR	<u>\$ 52,465</u>	<u>\$ -</u>	<u>\$ 17,625</u>	<u>\$ -</u>	<u>70,090</u>

The accompanying notes are an integral part of this statement.

TOWN OF NEWELLTON, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES,
COMBINED AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL -
ALL GOVERNMENTAL FUND TYPES HAVING ANNUAL APPROPRIATED BUDGETS
FOR THE YEAR ENDED JUNE 30, 1998

	GENERAL FUND			SPECIAL REVENUE FUND		
	GAAP BASIS BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)	GAAP BASIS BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES						
Taxes - Ad Valorem	\$ 46,000	\$ 47,335	\$ 1,335	\$ -	\$ -	-
Taxes - Sales and Use	55,000	64,910	9,910	-	-	-
Licenses and Permits	40,000	47,859	7,859	-	-	-
Intergovernmental Revenue						
Federal	-	14,250	14,250	10,000	6,000	(4,000)
State	15,300	17,934	2,634	-	-	-
Local	500	1,233	733	-	659	659
Franchise Fees	27,500	22,402	(5,098)	-	-	-
Charges For Services	67,600	75,859	8,259	-	-	-
Fines and Penalties	1,400	1,519	119	-	-	-
Interest	1,500	985	(515)	-	-	-
Miscellaneous Revenues	1,000	1,353	353	-	-	-
Total Revenues	<u>255,800</u>	<u>295,639</u>	<u>39,839</u>	<u>10,000</u>	<u>6,659</u>	<u>(3,341)</u>
EXPENDITURES						
Current:						
General Government	99,746	102,999	(3,253)	-	-	-
Public Safety:						
Police Department	43,733	44,815	(1,082)	-	-	-
Fire Department	13,100	11,435	1,665	-	-	-
Public Works:						
Street and Sanitation	88,700	84,522	4,178	-	-	-
Economic Development	-	-	-	6,000	6,000	-
Capital Outlay:						
General Government	-	-	-	4,000	659	3,341
Public Safety:						
Police Department	-	18,480	(18,480)	-	-	-
Debt Service:	17,640	17,645	(5)	-	-	-
Total Expenditures	<u>262,919</u>	<u>279,896</u>	<u>(16,977)</u>	<u>10,000</u>	<u>6,659</u>	<u>3,341</u>
(Deficiency) of Revenues						
Over Expenditures	(7,119)	15,743	22,862	-	-	-
Other Financing Sources (Uses)						
Transfers In	8,563	12,064	3,501	-	-	-
Transfers Out	(17,940)	(19,378)	(1,438)	-	-	-
Total Other Financing Sources (Uses)	(9,377)	(7,314)	2,063	-	-	-
(Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(16,496)	8,429	24,925	-	-	-
Fund Balance at beginning of year	<u>44,036</u>	<u>44,036</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 27,540</u>	<u>\$ 52,465</u>	<u>\$ 24,925</u>	<u>\$ -</u>	<u>\$ -</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
RETAINED EARNINGS - UTILITIES ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 1998**

Operating Revenues	
Water Sales	\$ 139,540
Gas Sales	322,545
Sewerage Fees	91,529
Plumbing Fees	4,390
Penalties	9,944
Franchise Tax	2,197
Miscellaneous Revenues	4,794
Total Operating Revenues	<u>574,939</u>
Operating Expenses	
Water Supplies and Expenses	20,927
Gas Purchases	155,392
Gas Supplies and Expenses	6,752
Sewer Supplies & Expense	22,686
Supplies	2,662
Backhoe, Mower and Tractor	4,224
Depreciation	97,447
Utilities	47,459
Engineering	8,571
Insurance - General	23,205
Legal and Audit	9,231
Meter Reader	5,639
Office Rent	910
Office Supplies	5,616
Payroll Taxes	1,420
Postage	1,615
Salaries and Related Benefits	57,194
Telephone	3,354
Truck	2,072
Dues and Subscriptions	762
Travel and Meetings	1,254
Utility Taxes	594
Miscellaneous Expenses	375
Total Operating Expenses	<u>479,361</u>
Total Operating Profit	95,578

(Continued)

**TOWN OF NEWELLTON, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - UTILITIES ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 1998 (Concluded)**

Nonoperating Revenue (Expense)	
Interest Earnings	\$ 6,005
Interest Expense	<u>(65,590)</u>
Total Nonoperating Revenue (Expense)	<u>(59,585)</u>
Income Before Operating Transfers	35,993
Operating Transfers	
Transfer Out	<u>(44,605)</u>
Total Operating Transfers	<u>(44,605)</u>
Net Loss	(8,612)
Retained Earnings At Beginning of Year	<u>79,581</u>
RETAINED EARNINGS AT END OF YEAR	\$ <u><u>70,969</u></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, 1998**

Cash Flows From Operating Activities	
Operating Profit	\$ 95,578
Adjustments to Reconcile Operating Profit to Net Cash Provided by Operating Activities:	
Depreciation	97,449
Changes in assets and liabilities:	
Receivables	(10,786)
Prepaid Expenses	(2,067)
Accounts and Retainage Payable	(27,639)
Due from Other Funds	10,752
Due to Other Funds	(13,844)
Other Accrued Liabilities	(5,910)
Customer Deposits	2,947
Net Cash Provided by Operating Activities	<u>146,480</u>
Cash Flows From by Noncapital Financing Activities	
Operating Transfers Out	<u>(44,605)</u>
Net Cash Used by Noncapital Financing Activities	(44,605)
Cash Flows From by Capital and Related Financing Activities	
Principal Paid on Bonds	(30,344)
Interest Paid on Bonds	(65,590)
Increase in Long-term Debt	19,892
Payments on Capital Lease Obligation	(6,187)
Purchases of Fixed Assets	(2,150)
Net Cash Used by Capital and Related Financing Activities	<u>(84,379)</u>
Cash Flows From Investing Activities	
Interest Income	6,005
Sale of Short Term Cash Investments	26,764
Net Cash Provided by Investing Activities	<u>32,769</u>

(Continued)

**TOWN OF NEWELLTON, LOUISIANA
STATEMENT OF CASH FLOWS
UTILITIES ENTERPRISE FUND (Concluded)
FOR THE YEAR ENDED JUNE 30, 1998**

Net Increase in Cash and Cash Equivalents	50,265
Cash and Cash Equivalents at Beginning of Year	<u>95,261</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 145,526</u></u>

SHOWN ON ACCOMPANYING COMBINED BALANCE SHEET AS:

Cash	\$ 79,085
Restricted Assets:	
Cash	<u>66,441</u>
TOTAL	<u><u>\$ 145,526</u></u>

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

Notes payable issued to finance water system, net of payment of short term note	\$ <u>87,606</u>
Increase in Contributed Capital from Capital Project Funds	<u><u>\$ 544,127</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, 1998**

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 generally accepted accounting principles (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 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.

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1998**

Based on the foregoing criteria, the Public Housing Authority for the Town is not included as a component unit of the Town reporting entity. Although the governing board of the Public Housing Authority is substantially the same as that of the Town, the Town cannot impose its will on the Public Housing Authority nor does the Town have any fiscal responsibility for the Public Housing Authority.

The following is a summary of certain significant accounting policies and practices:

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

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

Capital Projects Funds - The Capital Projects Funds 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

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1998**

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.

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 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.

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1998**

C. Basis of Accounting

Basis of accounting refers to the point at which 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 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. Taxpayer-assessed 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, 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.

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

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1998**

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.

E. Investments

Investments consist of certificates of deposit and are stated at cost, which approximates market. 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 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, 1998.

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):

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1998**

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. 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.

I. Bad Debts

Uncollectible amounts for ad valorem taxes and customers' utility receivables 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.

method for recognizing

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1998**

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 February 12, 1976, 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 \$16,043 for the year ended June 30, 1998.

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, 1998**

The Town has \$291,848 in deposits (collected bank balances) as of June 30, 1998, of which \$142,016 was secured from risk by \$142,016 of federal deposit insurance (GASB 3 - Category 1). The balance of \$149,832 of the deposits was collateralized with securities held by the financial institution in the name of the Town (GASB 3 - Category 2).

Note 3 - 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	13.12

Note 4 - 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 5 - Fixed Assets

The changes in general fixed assets follows:

	<u>Balance 6/30/97</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/98</u>
Vehicles	\$ 151,000	\$ 16,180	\$ -	\$ 167,180
Furniture and Equipment	71,404	2,959	-	74,363
Total	\$ 222,404	\$ 19,139	\$ -	\$ 241,543

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1998**

A summary of proprietary fund type property, plant and equipment at June 30, 1998, is as follows:

Service Equipment	\$	88,002
Office Equipment		3,010
Water System		1,812,997
Gas System		1,120,613
Sewer System		1,840,382
Pipeline		9,428
Construction in Progress		537,682
Total		5,412,114
Less: Accumulated Depreciation		(1,236,262)
Net Depreciable Assets		4,175,852
Land		19,650
Total Proprietary Fund Type Property, Plant and Equipment	\$	4,195,502

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.

Note 6 - 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,

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1998**

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, 1996, 1997 and 1998 were \$7,251; \$6,376; and \$9,648, respectively, equal to the statutorily required contributions for each year.

The MERS issues an annual, publicly-available financial report that includes financial statements and required supplementary information for the retirement system. The report may be obtained by writing the Municipal Employees' Retirement System, 6750 Van Gogh, Baton Rouge, LA 70806 or by calling (504) 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, 1996, 1997 and 1998 were \$2,586; \$2,247; and \$1,309, respectively, equal to the statutorily required contributions for each year.

The MPERS issues an annual, publicly-available financial report that includes financial

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1998**

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 (504) 929-7411.

Note 7 - Long-Term Debt

The following is a summary of long term debt transactions of the Town for the year ended June 30, 1998:

	General Obligation Bonds	Capital Leases	Utilities Enterprise Fund Bonds	Total
Balance at				
Beginning of Year	\$ 135,267	\$ 35,408	\$ 1,271,893	\$ 1,442,568
Additions	-	-	110,765	110,765
Retirements	(17,110)	(14,533)	(33,571)	(65,214)
BALANCE AT END OF YEAR	\$ 118,157	\$ 20,875	\$ 1,349,087	\$ 1,488,119

Bonds payable at June 30, 1998 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 \$500 - \$2,000, through April 2, 2018; interest at 5%.	\$ 15,000
Total General Obligation Bonds – Utilities Enterprise Fund	<u>15,000</u>

Revenue Bonds:

\$83,000 Sewer Revenue Bonds dated August 8, 1973; due in annual installments of \$1,000 - \$5,000, through July 1, 2013; interest at 4.125%.	51,000
\$200,000 Sewer Revenue bonds dated February 1, 1968; due in annual installments of \$10,898, through February 1, 2008; interest at 4.125%.	66,190

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1998**

\$550,000 Revenue bonds dated April 6, 1976; due in annual installments of \$8,000 - \$30,000 through April 6, 2016; interest at 5%.	373,000
\$100,000 Revenue bonds dated April 6, 1976; due in annual installments of \$2,000 - \$5,000, through April 6, 2016; interest at 5%.	62,000
\$315,000 Sewer Revenue bonds dated March 23, 1988; due in annual installments of \$18,512 through May 12, 2028; interest at 5%.	279,243
\$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>502,654</u>
Total Revenue Bonds – Utilities Enterprise Fund	<u>1,334,087</u>
Total Utilities Enterprise Fund Bonds	\$ <u>1,349,087</u>

General Obligation Notes:

\$59,941 Note payable to Tensas State Bank to finance the work on Walker Street. Payments are made monthly at a variable rate based on 75% of New York Prime and will not exceed 10%. Matures on March 15, 2001.	\$ 19,157
\$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.	<u>99,000</u>
Total General Obligation Notes	\$ <u>118,157</u>

Capital Leases:

In October, 1995 the Town entered into a capital lease agreement for a limb truck. In August, 1996 the Town entered into a capital lease agreement for a police car. The leased assets are recorded in General Fixed Assets Account Group.

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1998**

The related liability is recorded in General Long-term Debt Account Group. The balance of the lease obligations as of June 30, 1998 was \$16,540.

Maturities of long term obligations (except for the capital lease as discussed in Note 8) of the Town for the next five years, including interest of \$1,193,115, are as follows:

Fiscal Year Ended June 30,	General Obligation Bonds	Capital Lease	Enterprise Fund Bonds	Total
1999	\$ 26,526	\$ 9,851	\$ 101,524	\$ 137,901
2000	25,873	6,332	100,774	132,979
2001	23,995	1,503	105,024	130,522
2002	18,110	0	104,024	122,134
2003	17,430	0	103,024	120,454
2004-2008	35,010	0	478,688	513,698
2009-2013	0	0	441,007	441,007
2014-2018	0	0	345,945	345,945
2019-2023	0	0	235,695	235,695
2024-2028	0	0	232,736	232,736
2029-2033	0	0	143,906	143,906
2034-2038	0	0	119,922	119,922
	<u>\$ 146,944</u>	<u>\$ 17,686</u>	<u>\$ 2,512,269</u>	<u>\$ 2,676,899</u>

Note 8 - Capital Lease Obligations

In March, 1994 the Town entered into a lease agreement with a vendor for a backhoe. Using the criteria under Financial Accounting Standards Board Statement No. 13, the lease qualifies as a capital lease. Therefore, the asset is recorded on the books of the Enterprise Fund and a corresponding liability set up in the Enterprise Fund for the present value of the future minimum lease payments. The lease term is for 60 months and provides for monthly payments of \$554 including interest at 6%. The balance of the minimum lease payments as of June 30, 1998 was \$4,336.

Note 9 - Restriction on Use - Utility Revenues

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

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1998**

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

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

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1998**

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 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.

Note 10 - Interfund Receivables and Payables

Individual fund interfund receivables and payables at June 30, 1997, are as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 5,504	\$ -
Enterprise Fund:		
Utility Fund	95	5,504
Debt Service Fund	-	95
TOTAL	\$ 5,599	\$ 5,599

**TOWN OF NEWELLTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1998**

	Operating Transfers	
	Out	In
General Fund	\$ 19,378	\$ 12,064
Enterprise Fund:		
Utility Fund	44,605	-
Debt Service Fund	-	19,378
Capital Project Funds	-	32,541
TOTAL	\$ 63,983	\$ 63,983

Note 11 - 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 \$2,336.

Note 12 - 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, 1998.

Note 13 - 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, 1998

	<u>GAAP BASIS BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Taxes - Ad Valorem	\$ 46,000	\$ 47,335	\$ 1,335
Taxes - Sales and Use	55,000	64,910	9,910
Licenses and Permits:			
Franchise Revenue	27,500	22,402	(5,098)
Occupational & Other Licenses	40,000	47,859	7,859
Intergovernmental Revenues	15,800	14,417	(1,383)
Charges for Services	67,600	75,859	8,259
Grant Revenues	-	19,000	19,000
Fines	1,400	1,519	119
Interest Income	1,500	985	(515)
Miscellaneous Revenues	1,000	1,353	353
Total Revenues	<u>255,800</u>	<u>295,639</u>	<u>39,839</u>
Expenditures			
General Government:			
Salaries and Benefits	58,000	62,353	(4,353)
Operating Services	6,146	5,102	1,044
Contractual Services	32,000	32,402	(402)
Travel and Other Charges	3,600	3,142	458
Total General Government	<u>99,746</u>	<u>102,999</u>	<u>(3,253)</u>
Public Safety:			
Police Department:			
Salaries and Benefits	32,200	32,253	(53)
Operating Services	8,440	9,713	(1,273)
Operating Supplies and Maintenance	1,750	1,501	249
Contractual Services	1,343	1,346	(3)
Capital Outlay	-	18,480	(18,480)
Debt Service	-	3,853	(3,853)
Total Police Department	<u>43,733</u>	<u>67,146</u>	<u>(23,413)</u>
Fire Protection:			
Operating Services	8,200	7,204	996
Operating Supplies and Maintenance	4,900	4,231	669
Travel and Other Charges	-	-	-
Total Fire Protection	<u>13,100</u>	<u>11,435</u>	<u>1,665</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, 1998

	<u>GAAP BASIS BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
Public Works:			
Street and Sanitation:			
Salaries and Benefits	54,200	53,403	797
Operating Services	22,000	18,499	3,501
Operating Supplies and Maintenance	12,500	12,620	(120)
Debt Service	17,640	13,794	3,846
Total Public Works	<u>106,340</u>	<u>98,316</u>	<u>8,024</u>
Total Expenditures	<u>262,919</u>	<u>279,896</u>	<u>(16,977)</u>
Excess (Deficiency) of Revenues Over Expenditures	(7,119)	15,743	22,862
Other Financing Sources			
Operating Transfers - Out	(17,940)	(19,378)	(1,438)
Operating Transfers - In	8,563	12,064	3,501
Total Other Financing Sources	<u>(9,377)</u>	<u>(7,314)</u>	<u>2,063</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(16,496)	8,429	24,925
Fund Balance at Beginning of Year	<u>44,036</u>	<u>44,036</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 27,540</u>	<u>\$ 52,465</u>	<u>\$ 24,925</u>

**TOWN OF NEWELLTON, LOUISIANA
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 1998**

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>
Edwin G. Preis, Mayor	\$ 6,000
Kenneth Morgan	3,600
Edwin Britt	3,600
Glen McCarty	3,600
Clara Bass	3,600
Billy Lee	3,600
Total Compensation	<u>\$ 24,000</u>

**SUPPLEMENTARY INFORMATION -
GRANT ACTIVITY**

TOWN OF NEWELLTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1998

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>AWARD AMOUNT</u>	<u>EXPENDITURES</u>
Direct Programs			
United States Department of Agriculture:			
Water and Waste Disposal System for Rural Communities (Loan Guarantee)	10.760	\$ 506,000	\$ 82,439
Rural Utilities Service	10.769	14,250	14,250
Total Direct Programs		<u>520,250</u>	<u>96,689</u>
Pass Through Programs			
United States Department of Agriculture:			
Passed Through Macon Ridge Economic Development Region, Inc.			
Rural Development	10.769	6,000	6,000
Total Department of Agriculture		<u>526,250</u>	<u>102,689</u>
United States Department of Housing and Urban Development:			
Passed Through Louisiana Division of Administration, Office of Community Development			
Community Development Block Grants	14.228	822,200	511,586
TOTAL FEDERAL AWARDS		<u>\$ 1,348,450</u>	<u>\$ 614,275</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, 1998

1. General

The Schedule of Expenditures of Federal Awards presents the activity of all Federal awards of the **Town of Newellton, Louisiana** (the Town). The Town reporting entity is defined in Note 1 to the Town's general purpose financial statements. All Federal awards received directly from Federal agencies, as well as Federal awards passed through other government agencies, is included on the schedule.

2. Basis of Accounting

The 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.

3. Relationship of the Schedule of Expenditures of Federal Awards to the General Purpose Financial Statements of the Town

Federal awards expended during fiscal 1998 in the Utilities Enterprise Fund are included as additions to fixed assets of the water system in the amount of \$82,439 and construction in progress in the amount of \$511,586.



John L. Luffey, MBA, CPA
Francis J. Huffman, CPA
L. Fred Monroe, CPA
Esther Atteberry, CPA
Carolyn A. Clarke, CPA

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

**Town of Newellton
Newellton, Louisiana**

We have audited the general purpose financial statements of the **Town of Newellton** (the Town) as of and for the year ended June 30, 1998, and have issued our report thereon dated September 25, 1998. We conducted our audit in accordance with generally accepted auditing standards; 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 general purpose 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*. We noted a certain immaterial instance of noncompliance that we have reported to management of the Town in a separate letter dated September 25, 1998.

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 primary government financial statements and not to provide assurance on the internal control over financial reporting. 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 considered 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 misstatements

**Town of Newellton
Newellton, Louisiana**

in amounts that would be material in relation to the general purpose 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we did note other matters involving the internal control over financial reporting that we have reported to management of the Town in a separate letter dated September 25, 1998.

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. However, this report is a matter of public record and its distribution is not limited.

Luffey, Huffman & Monroe (BPA C)

September 25, 1998



John L. Luffey, MBA, CPA
Francis f. Huffman, CPA
L. Fred Monroe, CPA
Esther Alleberry, CPA
Carolyn A. Clarke, CPA

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
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, 1998. 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 of 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 generally accepted auditing standards; 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 Governments, 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 for 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 each of its major Federal programs for the year ended June 30, 1998.

**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 the 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 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 our 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, its oversight agency, other entities granting funds to the Town and the Legislative Auditor for the state of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Luffey, Huffman & Monroe (APAC)

September 25, 1998

**TOWN OF NEWELLTON, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 1998**

(1) The following are the applicable elements of the Summary of Auditor's Results:

- i) The independent auditors' report on the general purpose financial statements of the Town of Newellton, Louisiana (the Town) as of and for the year ended June 30, 1998 was unqualified;
- ii) There were no reported instances of reportable conditions involving compliance or internal control over financial reporting disclosed by the audit of the general purpose financial statements of the Town as of and for the year ended June 30, 1998;
- iii) There were no instances of noncompliance reported which are considered to be material to the general purpose financial statements of the Town as of and for the year ended June 30, 1998;
- iv) There were no reported instances of reportable conditions in the internal control over major programs;
- v) The auditors' report on the Town's compliance with requirements applicable to the major program was unqualified;
- vi) The audit of the Town's compliance with requirements applicable to the major program did not disclose any findings required to be reported under the provisions of OMB Circular A-133 Section .510(a);
- vii) The major Federal program for purposes of the report was the Community Development Block Grant (CFDA No. 14.228);
- viii) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000; and,
- ix) The town did not qualify as a low-risk auditee under the provisions of OMB Circular A-133 section .530.

(2) There are no findings related to the financial statements that are required to be reported under Government Auditing Standards.

(3) There are no findings or questioned costs for Federal awards, including those specified by OMB Circular A-133.

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

In connection with our audit of the Town of Newellton as of and for the year ended June 30, 1998, in accordance with *Government Auditing Standards* we have also reviewed the status of material prior year findings included in our report dated August 29, 1997. The following table presents the status of those findings:

<u>Prior Year Finding</u>	<u>Current Year Status</u>
Unfavorable Actual-to-Budget Expenditures Variance	Management Letter Comment



Luffey
Huffman
& Monroe

(A Professional Accounting Corporation)
CERTIFIED PUBLIC ACCOUNTANTS

John L. Luffey, MBA, CPA
Francis I. Huffman, CPA
L. Fred Monroe, CPA
Esther Alleberry, CPA
Carolyn A. Clarke, CPA

**Mayor Edwin Preis
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, 1998, 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 25, 1998 on the general purpose financial statements of the Town.

Need to Replenish FHA Reserve/Contingency Fund

Finding:

During the year ended June 30, 1997, the Town was required to utilize \$35,000 of its FHA Reserve/Contingency Fund certificate of deposit to fund current operations. These funds need to be replenished as soon as possible, as required by the bond indenture. During the year ended June 30, 1998, the Town has made regular deposits to replenish this fund.

Recommendation:

We recommend that the Town continue with its progress in replenishing the FHA Reserve/Contingency Fund.

Management's Corrective Action Plan:

The Town will continue to replenish this fund.

Adoption of Amended Budget

Finding:

When the Town submitted the budget for the year ended June 30, 1999, they included an amended budget which was presented to, and approved by the Aldermen. However

the minutes did not clearly indicate the June 30, 1998 amended budget as being approved. Additionally, the Town anticipated purchasing a police vehicle and equipment in the year ending June 30, 1999 which would be funded by grants. However, the police vehicle and equipment were purchased in late June 1998 and the grant revenue was recognized in that year due to the purchase. Neither the purchase nor the grant revenue were included in the amended budget.

Recommendation:

We recommend that in the future, the minutes adopting the budget clearly indicate both the budget amendment as well as the subsequent year's budget. The Town should also budget grant revenues and the associated expenditures in the appropriate year.

Management's Corrective Action Plan:

In the future the minutes will clearly indicate that the amended budget as well as the subsequent year's budget were adopted. As stated in the finding, the Town anticipated receiving the grant and purchasing the police vehicle in July of the subsequent year and not in June of the current year, however, the police vehicle became available and the Town purchased it in late June. The Town did not have time to amend its budget due to this last minute development.

Year 2000 Issue

Finding:

The Town has not adopted a plan for addressing the Year 2000 Issue for its utility billing function and accounting function. The current computer hardware running these applications and the software used to perform these functions are not year 2000 compliant. That is, they will not function properly when operating in date-critical environments when the year 2000 arrives. In addition, some software will not function properly if calculations from the current date extend into the year 2000.

Recommendation:

We recommend that the Town develop a plan to address the Year 2000 Issue including the purchase, installation, set-up, training and other associated costs and issues for new hardware and software to perform the accounting and utility billing functions. All installations should be in place and operating prior to June 30, 1999.

Management's Corrective Action Plan:

Will comply as funds become available – possibly within the next six months.

Luffey, Huffman & Monroe (AAA)

September 25, 1998