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TOWN OF NEWELLTON, LOUISIANA

Financial Statements
As of and For the Year Ended June 30, 2004

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

Release Date 1-26-05

TOWN OF NEWELLTON, LOUISIANA
Financial Report
As Of and For The Year Ended June 30, 2004

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, and the aggregate remaining fund information of the Town of Newellton, Louisiana (the Town) as of June 30, 2004, and for the year then ended, which collectively comprise the Town's basic financial statements as listed in the accompanying Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business type activities, and the aggregate remaining fund information of the Town as of June 30, 2004 and the results of its operations and cash flows, where applicable 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 December 10, 2004 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 Aldermen
Town of Newellton**

As described in Note 1, the Town has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and Statement No 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, as of July 1, 2003.

The Management's Discussion and Analysis and the budgetary information on pages 4 through 11 and page 50, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as Other Supplemental Information, Schedules 2 through 8 in the accompanying Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Town. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



(A Professional Accounting Corporation)

December 10, 2004

**REQUIRED SUPPLEMENTAL INFORMATION
(PART A)**

Town of Newellton
Management's Discussion and Analysis (MD&A)
June 30, 2004

As management of the Town of Newellton, we offer readers of the Town of Newellton's financial statements this narrative overview and analysis of the financial activities of the Town of Newellton for the fiscal year ended June 30, 2004. It is designed to assist the reader in focusing on significant financial issues, identify changes in the Town's financial position, and identify material deviations and individual fund issues or concerns.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government* issued June, 2001. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the Town has elected to exclude the information in this report. Subsequent reports will include the comparative information.

Financial Highlights

- The assets of the Town of Newellton exceeded its liabilities at the close of the most recent fiscal year by \$4,447,853 (*net assets*). Of this amount, \$236,366 (*unrestricted net assets*) represents the portion of net assets which is not invested in capital assets or otherwise restricted.
- The government's total net assets decreased by \$26,956.
- As of the close of the current fiscal year, the Town of Newellton's governmental funds reported combined ending fund balances of \$93,079 an increase of \$7,003 in comparison with the prior year. Of this total amount, \$69,296 is available for spending at the government's discretion (*unreserved fund balance*).
- The Town of Newellton's total debt decreased by approximately \$79,000 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Newellton's basic financial statements. The Town of Newellton's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Town of Newellton
Management's Discussion and Analysis (MD&A)
June 30, 2004

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town of Newellton's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Town of Newellton that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town of Newellton include general government, public safety and public works. The business-type activities of the Town of Newellton include water, sewer, and gas systems.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Newellton, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Newellton can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term

Town of Newellton
Management's Discussion and Analysis (MD&A)
June 30, 2004

financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Newellton maintains 5 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be major fund. Data from the other 4 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Town of Newellton adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided on page 50 for the General Fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 16 and 18 of this report.

Proprietary funds. The Town of Newellton maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements can be found on pages 20 through 24 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 25 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town of Newellton's compliance with budgets for its major funds. The combining statements for non-major governmental funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Newellton, assets exceeded liabilities by \$4,447,853 at the close of the most recent fiscal year.

Town of Newellton
Management's Discussion and Analysis (MD&A)
June 30, 2004

Capital assets consisting of land, buildings, machinery and equipment account for the majority of the Town's net assets of \$4,447,853. Capital assets, net of depreciation and related debt included in Net Assets total \$4,051,984. The Town of Newellton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Newellton's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Town of Newellton
June 30, 2004

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 89,257	\$ 523,999	\$ 613,256
Capital assets	243,417	4,911,586	5,155,003
Total assets	<u>332,674</u>	<u>5,435,585</u>	<u>5,768,259</u>
Current and other liabilities	(3,276)	138,389	135,113
Long-term liabilities	82,276	1,103,017	1,185,293
Total liabilities	<u>79,000</u>	<u>1,241,406</u>	<u>1,320,406</u>
Net Assets:			
Invested in capital assets, net of related debt:			
Restricted	243,417	3,808,567	4,051,984
Unrestricted	23,782	135,721	159,503
Unrestricted	(13,525)	249,891	236,366
Total net assets	<u>\$ 253,674</u>	<u>\$ 4,194,179</u>	<u>\$ 4,447,853</u>

The deficit balance of \$13,525 in unrestricted net assets in the governmental activities represents the accumulated results of all past year's operations. Net assets decreased by \$16,907 from the prior year. The changes in net assets are discussed later in this MD&A.

Governmental activities. Governmental activities decreased the Town of Newellton's net assets by \$16,907. Key elements of the changes in net assets are as follows:

Town of Newellton
Management's Discussion and Analysis (MD&A)
June 30, 2004

Town of Newellton's Changes in Net Assets
June 30, 2004

	Governmental Activities	Business-Type Activities	Total
Revenues			
Program Revenues:			
Charges for services	\$ 82,549	\$ 652,109	\$ 734,658
Operating grants and contributions	42,835	-	42,835
Capital Grants and Contributions	-	49,298	49,298
General Revenues:			
Property taxes	58,771	-	58,771
Sales taxes	62,211	-	62,211
Other taxes	68,978	-	68,978
Other general revenues	45,768	29,279	75,047
Total revenues	361,112	730,686	1,091,798
Expenses:			
General government	110,396	-	110,396
Public safety	120,099	-	120,099
Public works	142,846	-	142,846
Interest on long-term debt	4,678	52,846	57,524
Water, sewer, and gas expenses	-	687,889	687,889
Total expenses	378,019	740,735	1,118,754
 Increase (decrease) in assets	 \$ (16,907)	 \$ (10,049)	 \$ (26,956)

Governmental Activities

Expenses are classified by functions/programs. General government accounts for approximately \$110,000 while public works and public safety accounts for approximately \$143,000 and \$120,000 respectively for the fiscal year 2004.

The related program revenues for fiscal 2004 directly related to these expenses totaled \$125,384, which resulted in net program expenses of \$252,635. The remaining balance of expenses represents the cost to the taxpayers. The costs of governmental activities exceeding restricted state and federal grants are paid primarily from the following sources:

Town of Newellton
Management's Discussion and Analysis (MD&A)
June 30, 2004

- Licenses and Permits are the largest revenue source to the Town, generating approximately \$69,000 of General Fund Revenue.
- Sales tax revenues are a significant source of revenue for the Town of Newellton. It provides approximately \$62,000 of General Fund Revenue.

Business-type activities. Business-type activities decreased the Town of Newellton's net assets by approximately \$10,000.

Financial Analysis of the Government's Funds

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

The focus of the Town of Newellton's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Newellton's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Newellton's governmental funds reported an ending fund balance of \$93,079, an increase of \$7,003 in comparison with the prior year. Approximately 74 percent of this total amount (\$69,296) constitutes unreserved fund balance, which is available for spending at the Town's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

General Fund Budgetary Highlights

In accordance with Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA- R.S 39:1301 et seq), the Town of Newellton must adopt a budget for the General Fund and all Special Revenue funds prior to June 30. The original budget for the Town was adopted on June 11, 2003, and the final budget amendment was adopted on June 9, 2004.

Revenues: Overall revenues for the General Fund were projected to increase during FY 2004 by \$29,100 from the previous year. Property and Sales taxes were together projected to decrease by \$700 from the 2003 estimates. All other revenues were projected to increase by approximately \$30,000.

**Town of Newellton
Management's Discussion and Analysis (MD&A)
June 30, 2004**

Expenditures: General governmental expenditures comprise 31% of the General Funds Appropriations. Police and fire expenditures were expected to increase by approximately \$9,000. Appropriations for all other major categories decreased from the prior year's budget.

Capital Asset and Debt Administration

Capital assets. The Town of Newellton's investment in capital assets for its governmental and business type activities as of June 30, 2004, amounts to \$5,155,003 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery, vehicles and equipment.

The Town of Newellton Capital Assets

Land	\$ 19,650
Furniture and equipment	616,904
Water system	2,033,380
Sewer system	3,370,449
Gas system	1,328,027
Total	<u>7,368,410</u>
Less: accumulated depreciation	<u>(2,213,407)</u>
Total Capital Assets	<u>\$ 5,155,003</u>

**Town of Newellton Outstanding Debt
As of June 30, 2004**

Revenue Bonds	\$ 1,091,937
General Obligation Bonds	10,000
General Obligation Notes	66,435
Capital Leases	<u>16,054</u>
Total Debt	<u>\$ 1,184,426</u>

**Town of Newellton
Management's Discussion and Analysis (MD&A)
June 30, 2004**

Economic Factors and Next Year's Budgets and Rates

Factors considered in preparing the Town of Newellton's budget for the 2005 fiscal year included the impact that will be made by the loss of some businesses due to a declining population base. This loss will impact the Town's sales and property tax revenue.

Requests for Information

This financial report is designed to provide a general overview of the Town of Newellton's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Clerk.

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

TOWN OF NEWELLTON
Newellton, Louisiana

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 72,970	\$ 67,056	\$ 140,026
Receivables	13,693	92,147	105,840
Due from other governmental units	2,594	-	2,594
Prepaid expenses	-	1,479	1,479
Restricted Assets:			
Cash	-	130,379	130,379
Investments, at market value	-	61,038	61,038
Capital assets, net	243,417	4,911,586	5,155,003
Investment in jointly owned gas operations and maintenance fund	-	171,900	171,900
Total Assets	332,674	5,435,585	5,768,259
Liabilities			
Accounts payable and accrued expenses	13,750	48,435	62,185
Internal balances	(17,571)	17,571	-
Deposits held	-	65,310	65,310
Accrued interest payable	545	7,940	8,485
Long-term liabilities			
Due within one year	24,925	46,663	71,588
Due in more than one year	41,510	1,055,274	1,096,784
Capital lease payable due within one year	7,713	213	7,926
Capital lease payable not due within one year	8,128	-	8,128
Total liabilities	79,000	1,241,406	1,320,406
Net Assets			
Invested in capital assets, net of related debt	243,417	3,808,567	4,051,984
Restricted for:			
Debt Service	23,782	38,469	62,251
Depreciation and contingency	-	97,252	97,252
Unrestricted	(13,525)	249,891	236,366
Total net assets	\$ 253,674	\$ 4,194,179	\$ 4,447,853

The accompanying notes are an integral part of this statement.

TOWN OF NEWELLTON
Newellton, Louisiana

Statement of Activities

June 30, 2004

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Primary government:							
Governmental activities:							
General government:	\$ 110,396	\$ -	\$ -	\$ -	\$ (110,396)	\$ -	\$ (110,396)
Public safety	120,099	-	9,955	-	(110,144)	-	(110,144)
Public works	142,846	82,549	32,880	-	(27,417)	-	(27,417)
Interest and fiscal charges on long-term debt	4,678	-	-	-	(4,678)	-	(4,678)
Total governmental activities	<u>378,019</u>	<u>82,549</u>	<u>42,835</u>	<u>-</u>	<u>(252,635)</u>	<u>-</u>	<u>(252,635)</u>
Business-type activity:							
Utility fund	687,889	652,109	-	49,298	-	13,518	13,518
Interest and fiscal charges on long-term debt	52,846	-	-	-	-	(52,846)	(52,846)
Total business-type activities	<u>740,735</u>	<u>652,109</u>	<u>-</u>	<u>49,298</u>	<u>-</u>	<u>(39,328)</u>	<u>(39,328)</u>
Total primary government	<u>\$ 1,118,754</u>	<u>\$ 734,658</u>	<u>\$ 42,835</u>	<u>\$ 49,298</u>	<u>(252,635)</u>	<u>(39,328)</u>	<u>(291,963)</u>
General revenues:							
Taxes:							
Ad valorem taxes					58,771	-	58,771
Sales taxes					62,211	-	62,211
Other Taxes					4,047	-	4,047
Video poker					4,435	-	4,435
Licenses and permits					68,978	-	68,978
Fines and forfeitures					34,740	-	34,740
Interest and investment earnings					536	2,606	3,142
Income from jointly owned gas operations and maintenance fund					2,010	26,673	28,683
Total general revenues					<u>235,728</u>	<u>29,279</u>	<u>265,007</u>
Change in net assets					(16,907)	(10,049)	(26,956)
Net assets at beginning of year (restated)					<u>270,581</u>	<u>4,204,228</u>	<u>4,474,809</u>
NET ASSETS AT END OF YEAR					<u>\$ 253,674</u>	<u>\$ 4,194,179</u>	<u>\$ 4,447,853</u>

FUND FINANCIAL STATEMENTS

TOWN OF NEWELLTON
Newellton, Louisiana
Governmental Funds
Balance Sheet
June 30, 2004

	Major Funds	Other	Total
	General	Governmental	
	Fund	Funds	
ASSETS			
Cash & cash equivalents	\$ 34,621	\$ 14,567	\$ 49,188
Receivables:			
Sales taxes	5,301	-	5,301
Other receivables	8,392	-	8,392
Due from other governmental units	2,594	-	2,594
Restricted Assets:			
Cash	-	23,783	23,783
Investments	-	-	-
Due from other funds	17,571	1,575	19,146
TOTAL ASSETS	\$ 68,479	\$ 39,925	\$ 108,404
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable and accrued expenses	\$ 12,175	\$ 1,575	\$ 13,750
Due to other funds	1,575	-	1,575
Total liabilities	13,750	1,575	15,325
Fund equity:			
Fund balance:			
Reserved for debt service	-	23,783	23,783
Unreserved/undesignated	54,729	14,567	69,296
Total fund balance	54,729	38,350	93,079
TOTAL LIABILITIES AND FUND EQUITY	\$ 68,479	\$ 39,925	\$ 108,404

The accompanying notes are an integral part of this statement.

TOWN OF NEWELLTON
Newellton, Louisiana
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
June 30, 2004

Fund balances - total governmental funds	\$	93,078
Amounts reported for governmental activities are not financial resources and, therefore, are not reported in the governmental funds		
Governmental capital assets	497,765	
Less: accumulated depreciation	<u>(254,348)</u>	243,417
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the governmental funds.		
Accrued interest payable	(545)	
Certificates of indebtedness payable	(66,435)	
Capital lease payable	<u>(15,841)</u>	<u>(82,821)</u>
Net assets of governmental funds	\$	<u><u>253,674</u></u>

TOWN OF NEWELLTON
Newellton, Louisiana
Governmental Funds
Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2004

	<u>Major Funds</u> <u>General</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u>
Revenues:			
Taxes:			
Ad valorem	\$ 58,771	\$ -	\$ 58,771
Sales	62,211	-	62,211
Charges for services	82,549	-	82,549
Licenses and permits, and commission for services	68,978	-	68,978
Intergovernmental:			
State	8,482	-	8,482
Local	32,880	9,955	42,835
Fines and forfeitures	34,740	-	34,740
Use of money and property	337	199	536
Other revenues	642	1,368	2,010
Total Revenues	<u>349,590</u>	<u>11,522</u>	<u>361,112</u>
Expenditures:			
Current:			
General government	110,043	-	110,043
Public safety	87,934	-	87,934
Public works	120,095	-	120,095
Debt service	8,565	27,472	36,037
Total Expenditures	<u>326,637</u>	<u>27,472</u>	<u>354,109</u>
Excess (Deficiency) of Revenues	22,953	(15,950)	7,003
Other Financing Sources/(Uses)			
Transfers in	-	18,496	18,496
Transfers out	(18,496)	-	(18,496)
Total Other Financing Sources/(Uses)	<u>(18,496)</u>	<u>18,496</u>	<u>-</u>
Excess of Revenues Over Expenditures	4,457	2,546	7,003
Fund Balances at Beginning of Year	44,638	35,804	80,442
Adjustment for computer posting error	5,634	-	5,634
Fund Balances at Beginning of Year (as restated)	<u>50,272</u>	<u>35,804</u>	<u>86,076</u>
FUND BALANCES AT END OF YEAR	<u>\$ 54,729</u>	<u>\$ 38,350</u>	<u>\$ 93,079</u>

The accompanying notes are an integral part of this statement.

TOWN OF NEWELLTON
Newellton, Louisiana

**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2004**

Net change in fund balances - total governmental funds	\$	7,003
Amount reported for governmental activities in the statement of activities are different because:		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay	825	
Depreciation expense	<u>(56,094)</u>	(55,269)
<p>The issuance of long-term debt provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.</p>		
Principal payments	23,582	
Capital lease payments	<u>7,319</u>	30,901
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Accrued interest payable		<u>458</u>
Change in net assets of governmental activities	\$	<u><u>(16,907)</u></u>

TOWN OF NEWELLTON
Newellton, Louisiana

Business-type Activities - Enterprise Fund
Statement of Net Assets
June 30, 2004

	<u>Utility Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 67,056
Accounts receivable - net	92,147
Prepaid expenses	1,479
Total current assets	<u>160,682</u>
Restricted assets:	
Cash	130,379
Investments	61,038
Total restricted assets	<u>191,417</u>
Capital assets:	
Non-depreciable	19,650
Depreciable	6,850,995
Total capital assets	<u>6,870,645</u>
Accumulated depreciation	<u>(1,959,059)</u>
Net capital assets	<u>4,911,586</u>
Other assets:	
Investment in jointly owned gas operations and maintenance fund	<u>171,900</u>
Total assets	<u><u>\$ 5,435,585</u></u>
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable and accrued expenses	\$ 48,435
Current portion of capital lease obligation	213
Due to other funds	17,571
Total current liabilities	<u>66,219</u>
Liabilities payable from restricted assets:	
Accrued interest payable	7,940
Customer deposits (net)	65,310
Current portion of revenue bonds payable	46,663
Total restricted liabilities	<u>119,913</u>
Noncurrent liabilities:	
Revenue bonds payable	<u>1,055,274</u>
Total noncurrent liabilities	<u>1,055,274</u>
Total liabilities	<u>1,241,406</u>
Net assets	
Invested in capital assets, net of related debt	3,808,567
Restricted	
Debt Service	38,469
Depreciation and contingency	97,252
Unrestricted	<u>249,891</u>
Total net assets	<u>4,194,179</u>
Total liabilities and net assets	<u><u>\$ 5,435,585</u></u>

The accompanying notes are an integral part of this statement.

TOWN OF NEWELLTON
Newellton, Louisiana

Business Type Activity - Enterprise Fund
Statement of Revenues, Expenses, and Changes in
Net Assets
For The Year Ended June 30, 2004

	<u>Utility Fund</u>
OPERATING REVENUES	
Water sales	\$ 181,259
Gas sales	303,820
Sewerage fees	128,227
Plumbing fees	3,394
Penalties	13,428
Other operating revenues	21,981
Total operating revenues	<u>652,109</u>
 OPERATING EXPENSES	
Water supplies and expenses	68,538
Gas purchases	204,128
Gas supplies and expenses	2,109
Sewer supplies and expenses	58,281
Supplies	2,590
Backhoe, mower and tractor	1,185
Bad debts	3,525
Depreciation	128,984
Utilities	52,398
Engineering	4,340
Insurance - general	31,239
Legal and audit	11,590
Meter reader	5,996
Office rent	2,791
Office supplies	5,398
Payroll taxes	413
Postage	2,714

(continued)

The accompanying notes are an integral part of these financial statements

TOWN OF NEWELLTON
Newellton, Louisiana

Business Type Activity - Enterprise Fund
Statement of Revenues, Expenses, and Changes in
Net Assets (Concluded)
For The Year Ended June 30, 2004

	Utility Fund
Salaries and related benefits	84,565
Telephone	3,469
Truck	5,641
Dues and subscriptions	850
Travel and meetings	3,812
Miscellaneous expenses	3,333
Total operating expenses	<u>687,889</u>
Operating loss	(35,780)
NONOPERATING REVENUES (EXPENSES)	
Grants	49,298
Interest earnings	2,606
Income from jointly owned gas line	26,673
Interest expense	<u>(52,846)</u>
Total nonoperating revenue (expenses)	<u>25,731</u>
Net loss	(10,049)
Net assets beginning of year	<u>4,204,228</u>
Net assets end of year	<u>\$ 4,194,179</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Business-type Activity - Enterprise Fund
Statement of Cash Flows
For the Year Ended June 30, 2004

	<u>Utility Fund</u>
Cash flows from operating activities	
Cash received from customers	\$ 677,089
Cash paid for employee services	(84,978)
Cash payments to suppliers for goods and services	(445,994)
Cash payments to the Town	(69,881)
Net cash provided by used for operating activities	<u>76,236</u>
Cash flows from capital and related financing activities	
Grant received for acquisition of capital assets	49,298
Acquisition of capital assets	(59,362)
Principal paid on debt	(46,766)
Interest paid on debt	(55,126)
Net cash used for financing activities	<u>(111,956)</u>
Cash flows from investing activities	
Interest received on investments	2,606
Maturity of investments	8,290
Net cash provided by investing activities	<u>10,896</u>
Net decrease in cash and cash equivalents	(24,824)
Cash and cash equivalents, beginning of year	<u>222,259</u>
Cash and cash equivalents, end of year	<u>\$ 197,435</u>
Shown on the accompanying balance sheet as	
Cash	\$ 67,056
Restricted assets:	
Cash	<u>130,379</u>
Total	<u>\$ 197,435</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

TOWN OF NEWELLTON
Newellton, Louisiana

Business-type Activity - Enterprise Fund
Statement of Cash Flows (Concluded)
For the Year Ended June 30, 2004

	<u>Utility Fund</u>
Reconciliation of operating income to net cash	
Operating loss	\$ (35,780)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	128,984
Change in assets and liabilities	
Accounts receivable	(48,013)
Due from other funds	351
Accounts payable and accrued liabilities	27,932
Due to other funds	2,212
Customer deposits	<u>550</u>
Net cash provided by (used for) operating activities	\$ <u>76,236</u>
Supplemental disclosure of noncash capital investing activities:	
Increase in the investment of the jointly owned gas operations and maintenance fund	\$ <u>26,674</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2004

Note 1 - Summary of Significant Accounting Policies

A. Financial Reporting Entity

The accompanying financial statements include all funds and account groups of the Town of Newellton, Louisiana (the Town). The accompanying 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.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2004

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

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

B. New Accounting Standards Adopted

As of July 1, 2003, the Town adopted three new statements of financial accounting standards and one new interpretation issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*
- Statement No. 37 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*. This statement amends GASB Statements No. 21 and No. 34.
- Statement No. 38 - *Certain Financial Statement Disclosures* which modifies, establishes and rescinds certain financial statement disclosure requirements.
- Interpretation No. 6 - *Recognition and Measurements of Certain Liabilities & Expenditures in Governmental Fund Financial Statements* is an interpretation of NCGA Statements 1, 4, and 5; NCGA Interpretation 8; and GASB Statement Nos. 10, 16, and 18. It clarifies the existing modified accrual standards for distinguishing the portion of a liability that should be reported as a governmental fund liability/expenditure from the portion that should be reported as a general long-term liability.

Statement No. 34 (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments.

Statement No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the Town's governmental activities and business-type activities on the statement of net assets and statements of activities. Significantly, the Town's statement of net assets includes both noncurrent assets and noncurrent liabilities of the Town, which were previously recorded in the General Fixed Assets

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2004

Account Group and General Fixed Asset Account Group, respectively.

In addition to the government-wide financial statements, the Town has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus for governmental fund types. The accrual basis of accounting continues to be utilized by proprietary fund types. *Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.* The format of the financial statements has been modified by Statement No. 34 to focus on major funds, as opposed to presenting fund types.

Statement No. 34 also requires certain required supplementary information in the form of Management's Discussion and Analysis which includes an analytical overview of the Town's financial activities. In addition, a budgetary comparison statement is presented that compares the adopted and modified General Fund budget with actual results.

C. *Basis of Presentation*

The Town's basic financial statements consist of the government-wide statements on all of the activities of the government and the fund financial statements (individual major fund and combined non-major fund). The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units.

Government-wide Financial Statements

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

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2004

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

Fund Financial Statements

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

Emphasis of fund reporting is on the major fund level in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column in the basic financial statements.

Funds are classified into three categories; governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types". Governmental funds are used to account for a government's general activities, where the focus of attention is on the provision of services to the public as opposed to proprietary funds where the focus of attention is on recovering the cost of providing services to the public or other agencies through service charges or user fees. Fiduciary funds are used to account for assets held for others. The Town's current operations require the use of the governmental and proprietary categories. The fund types used by the Town are described as follows:

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

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

Special Revenue Fund - This fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2004

Debt Service Funds - These funds are used to account for financial resources accumulated to pay principal and interest on general long-term debt.

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

Enterprise Funds - These 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 costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Enterprise funds are presented in the business-type activities column in government-wide financial statements and the major funds section of the basic financial statements. All three enterprise funds are reported as major funds in the fund financial statements.

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

Revenues:

Ad valorem taxes attach as enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October of each year and are actually billed to the taxpayer in November. Billed taxes become delinquent on January 1 of the year following the year in which the taxes are due. Revenues from ad valorem taxes are budget in the year billed to the extent of collections expected. The Town bill and collects its own property taxes using the assessed values determined by the tax assessor of Tensas Parish.

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

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

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2004

Expenditures:

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

Proprietary Funds:

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

1. Water rates charged:
 - a. Residential customers are charged \$12.50 for the first 2,000 gallons of water and \$2.15 for each additional 1,000 gallons or fraction thereof.
 - b. Commercial customers are charged \$15.50 for the first 2,000 gallons of water used and then \$3.10 for each additional 1,000 gallons or fraction thereof.
2. Sewer rates charged;
 - a. Residential customers are billed \$10.00 for the first 3,000 gallons of water used. They are then billed \$2.15 for each 1,000 gallons or fraction thereof.
 - b. Commercial customers are charged \$13.00 for the first 3,000 gallons of water purchased. They are then charged \$2.15 for each additional 1,000 gallons or fraction thereof of water used.
3. Gas rates charged to customers are \$16.00 for the first 1,000 cubic feet of gas used and \$16.00 for each additional 1,000 cubic feet used.

D. Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in these financial statements.

1. The proposed budget is submitted by the Town Clerk and the Mayor to the Board of Aldermen prior to July 1 of the ensuing year. Notice of the location and availability of the proposed budget for public inspection and the date of

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2004

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.

For the year ended June 30, 2004, the Town adopted a budget for the General Fund and the Special Revenue fund

E. Assets, Liabilities, and Fund Equity

Cash, Cash Equivalents, and Investments

Under state law, the Town may deposit in demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana .

At June 30, 2004, the Town had cash and cash equivalents totaling \$270,405, as follows:

Petty Cash	\$ 90
Demand Deposits	<u>270,315</u>
Total	<u><u>\$ 270,405</u></u>

These deposits are stated at cost, which approximates market, Under state law, these deposits (or resulting bank balances) must be secured by federal deposit insurance or pledged securities owned by the fiscal agent bank. The market value of pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Cash and cash equivalents (bank balances other than these backed by the U. S. government) at June 30, 2004, are secured, as follows:

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2004

Bank Balances	\$ <u>357,697</u>
Federal deposit insurance	\$ 112,857
Pledge Securities	<u>343,056</u>
Total	\$ <u>455,913</u>

Because the pledge securities are held by the Town's agent in the Town's name they are considered collateralized (Category 1) under the provisions of GASB Codification C20.106.

For the purpose of the Statement of Cash Flows, cash equivalents include all highly liquid investments (including restricted assets) with a maturity date of three months or less when purchased.

Under state law, the Town may invest funds in obligations of the United States, in federally-insured investments, or in time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. At June 30, 2004, the Town had the following investments stated at cost, which approximates market:

Certificates of deposit	\$ 61,038
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The investments are considered collateralized (Category 1) under GASB Codification I50.164.

Interfund Receivables and Payables

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

Capital Assets

Capital assets, which include land, buildings, other improvements, machinery and equipment, vehicles, furniture and fixtures, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

As permitted by GASB Statement No. 34, the Town has elected not to report infrastructure assets retroactively.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2004

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

All purchased capital assets are recorded at cost where historical records are available and at estimated cost where no historical records are available. Donated fixed assets are value date fair market value at date of gift. Major additions are capitalized while maintenance and repairs that do not improve or extend the life of the respective assets are charged to expense. Interest is capitalized on funds used during construction of projects acquired with bond funds. No interest was capitalized during the year ended June 30, 2004.

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

Water System	50 - 99
Sewerage System	50
Gas Transmission and Distribution System	50 - 99
Equipment	3 - 10

Long-Term Liabilities

In the government-wide statement of net assets and in the proprietary fund type financial statements, long-term debt is reported as liabilities. Long-term liabilities expected to be financed from enterprise fund operations are accounted for in the enterprise fund.

Bad Debts

Uncollectible amounts for ad valorem taxes are generally not significant. As a result, the direct write-off method for recognizing bad debts is used. Under this method, the receivable is charged to expense when the account is deemed to be uncollectible. The Town uses the allowance method for recognizing bad debts for customers' utility receivables. An allowance of \$16,031 has been set up for the year ended June 30, 2004.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2004

Compensated Absences

The Town has no provision for vesting of vacation and sick leave. Consequently, the financial statements of the Town reflect no liability for compensated absences.

Reserves of Fund Equity

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

Electrical System Operating Agreement

On September 9, 1998, the Board of Aldermen of the Town authorized an operating agreement between the Town and Louisiana Power and Light (Entergy) for Entergy to operate the electric system within the corporate limits of the Town for a period of twenty-five years. The agreement provides that Entergy will pay to the Town two percent of total revenue collected from the sale of electric service to residential and commercial customers within the Town. Revenues under this agreement totaled \$18,989 for the year ended June 30, 2004.

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.

Net Assets

Net assets represent the difference between asset and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvement to those assets. Net assets are reported as restricted when there are limitations imposed on their use by external parties such as creditors, grantors, laws or regulations of other governments.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. Details of restricted net assets at year-end are presented in Note 11.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2004

Note 2 - Ad Valorem Taxes

Ad valorem taxes attach as enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October of each year and are actually billed to the taxpayer in November. Billed taxes become delinquent on January 1 of the year following the year in which the taxes are due

The Town bill and collects its own property taxes using the assessed values determined by the assessor of Tensas Parish.

The ad valorem tax millage is as follows:

	<u>Mills</u>
General Ad Valorem Tax	15.86

Note 3 - Accounts Receivable

Receivables are primarily composed of amounts due from residential customers living in the Town. Accounts receivable of \$105,840 as of June 30, 2004 are comprised of the following:

<u>Fund Type</u>	<u>Fees</u>	<u>Accounts</u>	<u>Other</u>	<u>Total</u>
General	\$ 11,726	\$ -	\$ 1,967	\$ 13,693
Proprietary	-	81,980	26,198	108,178
Less Allowance for Doubtful Accounts	<u>-</u>	<u>(16,031)</u>	<u>-</u>	<u>(16,031)</u>
Total	<u>\$ 11,726</u>	<u>\$ 65,949</u>	<u>\$ 28,165</u>	<u>\$ 105,840</u>

The town has 564 residential and 4 commercial water and sewer customers. They also serve 441 residential and 4 commercial gas customers. An aging of the utility receivables as of June 30, 2004 is as follows:

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2004

	<u>Water</u>	<u>Gas</u>	<u>Sewer</u>	<u>Other</u>	<u>Total</u>
Current	\$ 22,536	\$ 21,770	\$ 15,291	\$ 8,929	\$ 68,526
31-60 Days	358	195	249	136	938
61-90 Days	110	224	76	10	420
91-120 Days	85	397	97	91	670
Over 120 Days	<u>1,804</u>	<u>5,959</u>	<u>2,368</u>	<u>1,295</u>	<u>11,426</u>
Total	<u>\$ 24,893</u>	<u>\$ 28,545</u>	<u>\$ 18,081</u>	<u>\$ 10,461</u>	<u>\$ 81,980</u>

Note 4- Changes in Capital Assets

The changes in general fixed assets follows:

	<u>Balance</u> <u>6/30/2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2004</u>
Governmental Activities:				
Depreciable assets:				
Vehicles	\$ 322,723	\$ -	\$ -	322,723
Furniture and Equipment	<u>174,217</u>	<u>825</u>	<u>-</u>	<u>175,042</u>
Total capital assets being depreciated	496,940	825	-	497,765
Less accumulated depreciation	<u>(198,254)</u>	<u>(56,094)</u>	<u>-</u>	<u>(254,348)</u>
Total government activities capital assets, net	<u>\$ 298,686</u>	<u>\$ (55,269)</u>	<u>\$ -</u>	<u>\$ 243,417</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2004

	<u>Balance</u> <u>6/30/2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2004</u>
Business-type activities:				
Nondepreciable assets:				
Land	\$ 19,650	\$ -	\$ -	\$ 19,650
Depreciable Assets:				
Water System	2,033,380	-	-	2,033,380
Gas System	1,328,027	-	-	1,328,027
Sewer System	3,311,087	59,362	-	3,370,449
Pipeline	9,428	-	-	9,428
Service Equipment	105,151	-	-	105,151
Office Equipment	4,560	-	-	4,560
Total Depreciable Assets	<u>6,791,633</u>	<u>59,362</u>	<u>-</u>	<u>6,850,995</u>
Less: Accumulated Depreciation	<u>(1,830,075)</u>	<u>(128,984)</u>	<u>-</u>	<u>(1,959,059)</u>
Net Business-type Capital Assets	<u>\$ 4,981,208</u>	<u>\$ (69,622)</u>	<u>\$ -</u>	<u>\$ 4,911,586</u>

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

Depreciation of \$128,835 as of June 30, 2003 was charged to expense in the utility fund. Depreciation was charged to governmental activities as follows: General Government: \$354; Public Safety: \$32,164; and Public Works: \$23,576.

Note 8 - Investment in Jointly Owned Gas Line

The Towns of Newellton and St. Joseph, Louisiana have entered into a joint venture, called the Town of Newellton and the Town of St. Joseph, Louisiana Jointly Owned Gas Operations and Maintenance Fund (the Joint Gas Line) to provide natural gas to the two towns for resale to their citizens and approximately fifteen other customers in the service area. The Board of Aldermen and the Mayors of the two Towns govern the Joint Gas Line. Each of the Towns own 50% of the net worth of the joint venture. This amount is shown as an asset called Investment in Jointly Owned Gas Line. (See Note 14)

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2004

Summary financial information for the joint venture at June 30, 2004 and for the year then ended, is as follows:

Total Assets	\$ 361,105
Total Liabilities	19,397
Total Fund Equity	<u>\$ 341,708</u>
Total Revenues	\$ 500,954
Total Cost of Sales	411,761
Gross Profit	<u>89,193</u>
Total Expenses	34,846
Net Income	<u>\$ 54,347</u>

Note 9 - Pension and Retirement Plans

Municipal Employees' Retirement System of Louisiana (MERS)

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

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

Funding Policy. Contributions to the system include one-fourth of one per cent of the taxes shown to be collectible by the tax rolls of the parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of members on which contributions were made for the previous fiscal year. State statute requires covered employees to contribute a percentage of their salaries to the system; As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the MERS for the years ended June 30, 2004, 2003 and 2002 were \$19,280, \$12,881 and \$10,765; respectively,

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2004

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 (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 did not make any contributions to the MPERS for the years ended June 30, 2004 and 2003. Contributions for 2002 were \$1,559, which was equal to the statutorily required contributions for that year.

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

Note 10 - Long-Term Debt

The following is a summary of long term debt transactions of the Town for the year ended June 30, 2004:

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2004

	General Obligation Bonds Notes	Capital Lease	Utilities Enterprise Fund Bonds	Utilities Enterprise Fund Capital Lease	Total
Balance at Beginning of Year	\$ 90,017	\$ 23,160	\$ 1,148,703	\$ 1,081	\$ 1,262,961
Additions	-	-	-	-	-
Retirements	(23,582)	(7,319)	(46,766)	(868)	(78,535)
BALANCE					
END OF YEAR	\$ 66,435	\$ 15,841	\$ 1,101,937	\$ 213	\$ 1,184,426

Bonds payable at June 30, 2004 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>10,000</u>
Total General Obligation Bonds – Utilities Enterprise Fund	\$ <u>10,000</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%.	35,000
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\$200,000 Sewer Revenue bonds dated February 1, 1968; due in annual installments of \$10,898, through February 1, 2008; interest at 4.125%.	12,091
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TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2004

Revenue Bonds (continued):

\$550,000 Revenue bonds dated April 6, 1976; due in annual installments of \$29,250 - \$34,350 through April 6, 2016; interest at 5%.	279,000
\$100,000 Revenue bonds dated April 6, 1976; due in annual installments of \$4,400 - \$6,000, through April 6, 2016; interest at 5%.	46,500
\$315,000 Sewer Revenue bonds dated March 23, 1988; due in annual installments of \$18,512 through May 12, 2028; interest at 5%.	248,531
\$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>470,815</u>
Total Revenue Bonds - Utilities Enterprise Fund	<u>1,091,937</u>
Total Utilities Enterprise Fund Bonds	\$ <u><u>1,101,937</u></u>

General Obligation Notes:

\$130,000 Certificate of Indebtness, Series 1994, to finance the street overlay project. Payments are made yearly at an interest rate of 6%. Matures August, 2004	\$ 17,000
\$80,000 Certificate of Indebtness, Series 1999, to finance the purchase of a fire truck and equipment. Payments are made monthly at an interest rate of 4.5%. Matures on February 8, 2010.	<u>49,435</u>
Total General Obligation Notes	\$ <u><u>66,435</u></u>

Maturities of long term obligations (exclusive of capital lease obligations) of the Town including interest of \$800,296 are as follows:

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Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2004

Fiscal Year Ended June 30,	General Obligation Bonds	Enterprise Fund Bonds	Total
2005	\$ 27,465	\$ 101,024	\$ 128,489
2006	9,955	90,872	100,827
2007	9,955	93,126	103,081
2008	9,955	91,876	101,831
2009-2013	16,113	443,879	459,992
2014-2018	-	345,945	345,945
2019-2023	-	235,695	235,695
2024-2028	-	230,917	230,917
2029-2033	-	143,906	143,906
2034-2038	-	117,985	117,985
	<u>\$ 73,443</u>	<u>\$ 1,895,225</u>	<u>\$ 1,968,668</u>

For the fiscal year ended June 30, 2004, the amount of interest charged to expense on general obligations bonds was \$5,476 and the amount on revenue bonds was \$52,845.

Note 11 - Restriction on Use of Funds

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

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

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2004

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

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

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

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

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

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

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2004

Fund or Reserve Fund. Any money so used shall be replaced as soon as possible from the earnings of the System.

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

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

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

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

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2004

Restricted Assets were composed of the following as of June 30, 2004:

	<u>Total</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
<u>General Fund</u>			
\$80,000 Certificate of Indebtedness			
Bond and Interest Redemption Fund	\$ 4,425	\$ 4,425	\$ -
\$130,000 Certificate of Indebtedness			
Bond and Interest Redemption Fund	19,358	19,358	-
<u>Utility Fund</u>			
1968 Sewer Revenue Bonds			
1973 Sewer Revenue Bonds			
1974 Water Distribution G. O. Bonds			
Bond and Interest Redemption Fund	14,083	14,083	-
Bond Reserve Fund	7,500	-	7,500
Depreciation and Contingency Fund	53,826	186	53,640
1976 Water and Gas Revenue Bonds			
Bond and Interest Redemption Fund	31,368	31,368	-
Bond Reserve Fund	6,309	6,309	-
Depreciation and Contingency Fund	26,379	26,379	-
1988 Sewer Revenue Bonds			
Bond and Interest Redemption Fund	6,825	6,825	-
Bond Reserve Fund	11,343	11,343	-
Depreciation and Contingency Fund	7,115	7,115	-
1998 Water Revenue Bonds			
Bond and Interest Redemption Fund	5,172	5,172	-
Bond Reserve Fund	10,472	10,472	-
Depreciation and Contingency Fund	11,026	11,026	-
Total	\$ <u>215,201</u>	\$ <u>154,061</u>	\$ <u>61,140</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2004

Note 12 - Capital Leases

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

The assets acquired through the capital leases are as follows:

	<u>Governmental Fund Activities</u>	<u>Enterprise Fund Activities</u>
Assets:		
Machinery and Equipment	\$ 38,671	\$ -
Office Equipment	-	1,550
Less Depreciation	(11,598)	(542)
Total	<u>\$ 27,073</u>	<u>\$ 1,008</u>

The future minimum lease payments until maturity are as follows:

Fiscal Year Ended June 30,	<u>Governmental Fund Activities</u>	<u>Enterprise Fund Activities</u>
2005	\$ 8,565	\$ 218
2006	8,565	-
	17,130	218
Less Amount representing Interest	(1,289)	(5)
Present Value of Future Minimum Lease Payments	<u>\$ 15,841</u>	<u>\$ 213</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As Of And For The Year Ended June 30, 2004

Note 13 - Interfund Receivables and Payables

Individual fund interfund receivables and payables at June 30, 2004 are as follows:

Fund	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 17,571	\$ 1,575
Utility Enterprise Fund	-	17,571
Capital Project Funds	1,575	-
TOTAL	<u>\$ 19,146</u>	<u>\$ 19,146</u>

	<u>Operating Transfers</u>	
	<u>In</u>	<u>Out</u>
General Fund	\$ -	\$ 18,496
Debt Service Fund	18,496	-
TOTAL	<u>\$ 18,496</u>	<u>\$ 18,496</u>

Note 14 - Related Party Transactions

The Town jointly operates with the Town of St. Joseph, Louisiana that portion of the gas transmission line from Lake St. John Field to the Town of St. Joseph. The town purchases gas from the jointly owned transmission line to be resold to its citizens. For 2004 the Town purchased \$204,127 of natural gas from the jointly owned gas line. As of June 30, 2004 the Town owed \$8,978 for natural gas delivered to the Town for the month of June.

Note 15 - Risk Financing Activities

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

**TOWN OF NEWELLTON
Newellton, Louisiana**

**Notes To Financial Statements
As Of And For The Year Ended June 30, 2004**

Note 16 - Commitments

The Town entered into a contract with Temple Management Services, Inc. in 1995 to clean and maintain the sewer oxidation pond belonging to the Town. Under this contract the Town agrees to pay \$1,800 a month for the service provided. The contract automatically renews every twelve months unless either the contractor or the Town notifies the other party in writing 30 days prior to the renewal. Maintenance expenses for the year ended June 30, 2004 were \$21,600.

**REQUIRED SUPPLEMENTARY INFORMATION
(PART B)**

TOWN OF NEWELLTON
Newellton, Louisiana

General Fund
Budgetary Comparison Schedule (GAAP Basis)

Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance With Final Budget Over (Under)
	<u>Original Budget</u>	<u>Final Budget</u>		
Budgetary fund balance at beginning of year	\$ 197,051	\$ 44,638	\$ 44,638	\$ -
Resources (inflows)				
Ad valorem taxes	64,000	58,800	58,771	(29)
Sales and other taxes	58,500	64,000	62,211	(1,789)
License and permits:				
Franchise Revenue	28,000	30,500	28,948	(1,552)
Occupational & Other Licenses	30,000	35,000	40,030	5,030
Intergovernmental revenue	66,550	64,500	41,362	(23,138)
Charges for services	89,200	89,200	82,549	(6,651)
State salary supplement - police	3,600	-	-	-
Fines and forfeitures	21,000	35,000	34,740	(260)
Interest income	1,200	600	337	(263)
Miscellaneous	1,500	1,000	641	(359)
Total Revenues	<u>363,550</u>	<u>378,600</u>	<u>349,589</u>	<u>(29,011)</u>
Transfers In	<u>25,000</u>	<u>9,700</u>	<u>-</u>	<u>(9,700)</u>
Amounts available for appropriations	<u>585,601</u>	<u>432,938</u>	<u>394,227</u>	<u>(38,711)</u>
Charges to appropriations (outflows)				
Current:				
General government	98,070	119,420	110,043	9,377
Public safety:				
Police department	86,050	88,450	86,293	2,157
Fire department	3,600	3,600	1,642	1,958
Public Works	111,450	124,900	120,094	4,806
Capital outlay	21,007	23,400	-	23,400
Debt Service	8,565	8,564	8,564	-
Total Charges	<u>328,742</u>	<u>368,334</u>	<u>326,636</u>	<u>41,698</u>
Transfers out	<u>23,450</u>	<u>9,000</u>	<u>18,496</u>	<u>(9,496)</u>
Total Charges to Appropriations	<u>352,192</u>	<u>377,334</u>	<u>345,132</u>	<u>32,202</u>
Budgetary fund balance at end of year	<u>\$ 233,409</u>	<u>\$ 55,604</u>	<u>\$ 49,095</u>	<u>\$ (6,509)</u>

OTHER SUPPLEMENTAL INFORMATION

TOWN OF NEWELLTON
Newellton, Louisiana
Nonmajor Governmental Funds
Combining Balance Sheet
As of June 30, 2004

	<u>Special</u>	<u>Debt Service Funds</u>		<u>Capital</u>	<u>Total</u>
	<u>Revenue Fund</u>			<u>Project Fund</u>	
	<u>Downtown</u>	<u>Fire</u>	<u>Street</u>	<u>Street</u>	<u>Nonmajor</u>
	<u>Revitalization</u>	<u>Department</u>	<u>Project</u>	<u>Improvement</u>	
					<u>Funds</u>
ASSETS					
Cash and cash equivalents	\$ 14,567	\$ -	\$ -	\$ -	\$ 14,567
Due from other funds	-	-	-	1,575	1,575
Restricted Assets:					
Cash	-	4,425	19,358	-	23,783
Investments	-	-	-	-	-
TOTAL ASSETS	<u>\$ 14,567</u>	<u>\$ 4,425</u>	<u>\$ 19,358</u>	<u>\$ 1,575</u>	<u>\$ 39,925</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 1,575	\$ 1,575
Fund balance					
Reserved for:					
Debt Service	-	4,425	19,358	-	23,783
Unreserved/undesignated	14,567	-	-	-	14,567
Total fund balance	<u>14,567</u>	<u>4,425</u>	<u>19,358</u>	<u>-</u>	<u>38,350</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 14,567</u>	<u>\$ 4,425</u>	<u>\$ 19,358</u>	<u>\$ 1,575</u>	<u>\$ 39,925</u>

TOWN OF NEWELLTON
Newellton, Louisiana
Nonmajor Debt Service Funds
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2004

	Special Revenue Fund	Debt Service Funds		Capital Project Fund	Total Nonmajor Governmental Funds
	Downtown Revitalization	Fire Department	Street Project	Street Improvement	
REVENUES					
Intergovernmental					
Local	\$ -	\$ 9,955	\$ -	\$ -	\$ 9,955
Program Income	1,368	-	-	-	1,368
Interest Income	71	30	98	-	199
Total Revenues	<u>1,439</u>	<u>9,985</u>	<u>98</u>	<u>-</u>	<u>11,522</u>
EXPENDITURES					
Retirement of Principal	-	7,582	16,000	-	23,582
Interest and Fiscal Charges	-	2,373	1,517	-	3,890
Total expenditures	<u>-</u>	<u>9,955</u>	<u>17,517</u>	<u>-</u>	<u>27,472</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,439	30	(17,419)	-	(15,950)
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	<u>-</u>	<u>996</u>	<u>17,500</u>	<u>-</u>	<u>18,496</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES	1,439	1,026	81	-	2,546
FUND BALANCE, beginning of year	<u>13,128</u>	<u>3,399</u>	<u>19,277</u>	<u>-</u>	<u>35,804</u>
FUND BALANCE END OF YEAR	<u>\$ 14,567</u>	<u>\$ 4,425</u>	<u>\$ 19,358</u>	<u>\$ -</u>	<u>\$ 38,350</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Statements of Net Assets - Utility Fund
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 67,056	\$ 113,771
Accounts receivable - net	92,147	44,485
Prepaid expenses	1,479	1,479
Total current assets	<u>160,682</u>	<u>159,735</u>
Restricted assets:		
Cash and cash equivalents	130,379	108,488
Investments	61,038	69,328
Total restricted assets	<u>191,417</u>	<u>177,816</u>
Capital assets:		
Non-depreciable	19,650	19,650
Depreciable	6,850,995	6,791,633
Total capital assets	<u>6,870,645</u>	<u>6,811,283</u>
Accumulated depreciation	(1,959,059)	(1,830,075)
Net capital assets	<u>4,911,586</u>	<u>4,981,208</u>
Other assets:		
Investment in jointly owned gas operations and maintenance fund	<u>171,900</u>	<u>145,226</u>
Total assets	<u>\$ 5,435,585</u>	<u>\$ 5,463,985</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 48,435	\$ 19,635
Current portion of capital lease obligations	213	1,080
Due to other funds	17,571	15,359
Total current liabilities	<u>66,219</u>	<u>36,074</u>
Liabilities payable from restricted assets:		
Accrued interest payable	7,940	10,220
Customer deposits	65,310	64,760
Current portion of revenue bonds payable	46,663	45,478
Total restricted liabilities	<u>119,913</u>	<u>120,458</u>
Noncurrent liabilities:		
Revenue bonds payable	1,055,274	1,103,225
Total noncurrent liabilities	<u>1,055,274</u>	<u>1,103,225</u>
Total liabilities	<u>1,241,406</u>	<u>1,259,757</u>
Net assets:		
Invested in capital assets, net of related debt	3,808,567	3,831,425
Restricted:		
Debt service	38,469	101,019
Depreciation and contingency	97,252	21,098
Unrestricted	249,891	250,686
Total net assets	<u>4,194,179</u>	<u>4,204,228</u>
Total liabilities and net assets	<u>\$ 5,435,585</u>	<u>\$ 5,463,985</u>

TOWN OF NEWELLTON
Newellton, Louisiana

**Statements of Revenues, Expenses, and Changes in
Net Assets - Utility Fund
For The Year Ended June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Operating Revenues:		
Water sales	\$ 181,259	\$ 153,211
Gas sales	303,820	370,703
Sewerage fees	128,227	109,840
Plumbing fees	3,394	3,011
Penalties	13,428	16,003
Other operating revenues	21,981	702
Total operating revenues	<u>652,109</u>	<u>653,470</u>
 Operating expenses:		
Water supplies and expenses	68,538	51,933
Gas purchases	204,128	183,011
Gas supplies and expenses	2,109	4,290
Sewer supplies and expense	58,281	52,051
Supplies	2,590	3,168
Backhoe, mower, and tractor	1,185	2,377
Bad debts	3,525	6,223
Depreciation	128,984	128,835
Utilities	52,398	43,249
Engineering	4,340	2,602
Insurance - general	31,239	13,685
Legal and audit	11,590	8,698
Meter reader	5,996	6,096
Office rent	2,791	1,642
Office supplies	5,398	3,898
Payroll taxes	413	404
Postage	2,714	3,739
Salaries and related benefits	84,565	97,725
Telephone	3,469	5,030
Truck	5,641	6,119

(Continued)

TOWN OF NEWELLTON
Newellton, Louisiana

**Statements of Revenues, Expenses, and Changes in
Net Assets - Utility Fund (Concluded)
For The Year Ended June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Dues and subscriptions	850	852
Travel and meetings	3,812	3,544
Miscellaneous expenses	3,333	648
Total operating expenses	<u>687,889</u>	<u>629,819</u>
Operating profit (loss)	(35,780)	23,651
Nonoperating revenues (expenses):		
Grants	49,298	-
Interest earnings	2,606	3,430
Income from jointly owned gas operations and maintenance fund	26,673	3,011
Interest expense	(52,846)	(59,384)
Total nonoperating revenue (expense)	<u>25,731</u>	<u>(52,943)</u>
Loss before operating transfers	(10,049)	(29,292)
Operating transfers:		
Transfers out	<u>-</u>	<u>(5,000)</u>
Net loss	(10,049)	(34,292)
Net assets beginning of year (as previously reported)	-	(45,886)
Change in accounting principal	<u>-</u>	<u>4,284,406</u>
Net assets beginning of year (as restated)	<u>4,204,228</u>	<u>4,238,520</u>
Net assets end of year	<u>\$ 4,194,179</u>	<u>4,204,228</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Statements of Cash Flows - Utility Fund
For the Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities		
Cash received from customers	\$ 677,089	\$ 709,809
Cash paid for employee services	(84,978)	(68,129)
Cash payments to suppliers for goods and services	(445,994)	(433,489)
Cash payments to the Town	(69,881)	(52,270)
Cash refunds to customers	-	(1,170)
Net cash provided by operating activities	<u>76,236</u>	<u>154,751</u>
Cash flows from noncapital financing activities:		
Transfers to general fund	-	(5,000)
Net cash used in noncapital financing activities	<u>-</u>	<u>(5,000)</u>
Cash flows from capital and related financing activities		
Grant received for acquisition of capital assets	49,298	-
Acquisition of capital assets	(59,362)	(1,550)
Principal paid on debt	(46,766)	(42,900)
Interest paid on debt	(55,126)	(59,222)
Net cash used for financing activities	<u>(111,956)</u>	<u>(103,672)</u>
Cash flows from investing activities		
Interest received on investments	2,606	3,430
Maturity of investments	8,290	(2,271)
Net cash provided by investing activities	<u>10,896</u>	<u>1,159</u>
Net increase (decrease) in cash and cash equivalents	(24,824)	47,238
Cash and cash equivalents, beginning of year	<u>222,259</u>	<u>175,021</u>
Cash and cash equivalents, end of year	<u>\$ 197,435</u>	<u>\$ 222,259</u>
Shown on the accompanying balance sheet as		
Cash	\$ 67,056	\$ 113,771
Restricted assets:		
Cash	<u>130,379</u>	<u>108,488</u>
Total	<u>\$ 197,435</u>	<u>\$ 222,259</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Statements of Cash Flows - Utility Fund (Concluded)
For the Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Reconciliation of operating income to net cash		
Operating income (loss)	\$ (35,780)	\$ 23,651
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	128,984	128,835
Change in assets and liabilities		
Accounts receivable	(48,013)	1,942
Due from other funds	351	-
Prepaid Expenses	-	(670)
Accounts payable and accrued liabilities	27,932	36
Due to other funds	2,212	2,127
Customer deposits	550	(1,170)
Net cash provided by operating activities	<u>\$ 76,236</u>	<u>\$ 154,751</u>
Supplemental disclosure of noncash capital investing and financing activities:		
Lease purchase of equipment	\$ -	\$ (1,550)
Increase in the investment of the jointly owned gas operations and maintenance fund	<u>26,674</u>	<u>3,011</u>
Total noncash capital investing and financing activities	<u>\$ 26,674</u>	<u>\$ 1,461</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Schedule of Changes in Restricted Assets
For The Year Ended June 30, 2004

	<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, 2003	\$ 11,830	\$ 7,500	\$ 62,014	\$ 81,344
Add:				
Transfers from operating account	19,500	-	780	20,280
Transfers from bond reserve account			85	
Interest earned	101	85	947	1,133
Total funds available	<u>31,431</u>	<u>7,585</u>	<u>63,826</u>	<u>102,757</u>
Less:				
Payments on principal and interest	(17,348)	-	-	(17,348)
Transfer to operating account	-	-	(10,000)	
Transfers to depreciation and contingency account	-	(85)	-	(85)
Balance - June 30, 2004	<u>\$ 14,083</u>	<u>\$ 7,500</u>	<u>\$ 53,826</u>	<u>\$ 85,409</u>
<u>\$500,000 1976 Water and Gas Revenue Bonds</u>				
<u>\$100,000 1976 Water and Gas Revenue Bonds</u>				
Balance - July 1, 2003	\$ 26,124	\$ 4,319	\$ 23,850	\$ 54,293
Add:				
Transfers from operating	42,250	1,950	2,340	46,540
Interest earned	244	40	189	473
Total funds available	<u>68,618</u>	<u>6,309</u>	<u>26,379</u>	<u>101,306</u>
Less:				
Principal and interest	(37,250)	-	-	(37,250)
Balance - June 30, 2004	<u>\$ 31,368</u>	<u>\$ 6,309</u>	<u>\$ 26,379</u>	<u>\$ 64,056</u>
<u>\$315,000 1988 Sewer Revenue Bonds</u>				
Balance - July 1, 2003	\$ 5,184	\$ 10,259	\$ 5,870	\$ 21,313
Add:				
Transfers from operating	20,055	1,003	1,196	22,254
Interest earned	98	81	49	229
Total funds available	<u>25,338</u>	<u>11,343</u>	<u>7,115</u>	<u>42,965</u>
Less:				
Principal and interest	(18,513)	-	-	(18,513)
Balance - June 30, 2004	<u>\$ 6,825</u>	<u>\$ 11,343</u>	<u>\$ 7,115</u>	<u>\$ 24,452</u>

(Continued)

TOWN OF NEWELLTON
Newellton, Louisiana

Schedule of Changes in Restricted Assets (Concluded)
For The Year Ended June 30, 2004

	Bond and Interest Redemption	Bond Reserve	Depreciation and Contingency	Total
<u>\$506,000 1998 Water Revenue Bonds</u>				
Balance - July 1, 2003	\$ 2,742	\$ 8,839	\$ 9,285	\$ 20,866
Add:				
Transfers from operating	31,174	1,560	1,664	34,398
Interest earned	32	73	77	182
Total Funds Available	33,948	10,472	11,026	55,446
Less:				
Principal and interest	(28,776)	-	-	(28,776)
Balance - June 30, 2004	\$ 5,172	\$ 10,472	\$ 11,026	\$ 26,670
<u>\$130,000 Certificate of Indebtness</u>				
Balance - July 1, 2003	\$ 19,277	\$ -	\$ -	\$ 19,277
Add:				
Transfers from operating	17,500	-	-	17,500
Interest earned	98	-	-	98
Total funds available	36,875	-	-	36,875
Less:				
Principal and interest	(17,517)	-	-	(17,517)
Balance - June 30, 2004	\$ 19,358	\$ -	\$ -	\$ 19,358
<u>\$80,000 Certificate of Indebtness</u>				
Balance - July 1, 2003	\$ 3,399	\$ -	\$ -	\$ 3,399
Add:				
Transfers from operating	996	-	-	996
Intergovernmental revenue - local	9,955	-	-	9,955
Interest earned	30	-	-	30
Total funds available	14,380	-	-	14,380
Less:				
Principal and interest	(9,955)	-	-	(9,955)
Balance - June 30, 2004	\$ 4,425	\$ -	\$ -	\$ 4,425

**TOWN OF NEWELLTON, LOUISIANA
COMPENSATION PAID ALDERMEN
FOR THE YEAR ENDED JUNE 30, 2003**

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>

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

**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 financial statements of the Town of Newellton, Louisiana (the Town) as of and for the year ended June 30, 2004, and have issued our report thereon dated December 10, 2004. 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards*. This instance of noncompliance is reported in the Schedule of Findings as items 04-01.

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 financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design operation of the internal control over financial reporting that could adversely affect the Town's ability to record, process,

**Town of Newellton
Newellton, Louisiana**

summarize, and report financial data consistent with the assertions of the management in the financial statements. The reportable condition is reported in the Schedule of Findings as item 04-02.

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 a material weakness. However we consider item 04-02 to be a material weaknesses.

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



(A Professional Accounting Corporation)

December 10, 2004

TOWN OF NEWELLTON
Newellton, Louisiana

Schedule of Findings
June 30, 2004

04-01 BID-LAW VIOLATION

Finding:

We noted during our review of expenditures that the Town purchased approximately \$33,000 of chemicals for the water plant and sewer treatment facility from one vendor. These chemicals were purchased without bid. La. Revise Statute 38:2212 A.(1)(a)(ii) states that "...all purchases of materials or supplies exceeding the sum of fifteen thousand dollars to be paid out of public funds, to be done by a public entity shall be advertised and let by contract to the lowest responsible bidder who had bid according to the contract, plans, and specifications as advertised...."

Recommendation:

We recommend that when the Town has purchases of a recurring nature and it is estimated that such purchases will exceed the statutory maximum, these purchases should be advertised for public bid.

Management's Corrective Action Plan:

The Clerk discussed this matter with the Mayor and the Mayor agreed to discuss the matter with Mr. Sikes, The Superintendent, to advertise for bids.

04-02 UTILITY ACCOUNTS RECEIVABLE

Finding:

The accounts receivable control account was understated with the subsidiary ledger by approximately \$18,000 and the difference had not been reconciled. The Town of Newellton (the Town) maintains its accounts receivable subsidiary ledger on billing software that is not a part of their general accounting package. The accounts receivable and utility revenue are recorded by journal entry on a daily basis. The Town Clerk receives a posting summary of transactions that have occurred in the billing system and from this summary, the transactions that have occurred for that day are journalized into the control account. In addition to recording the transactions from the utility billing posting summary, the Clerk also records the meter over reads and the rebillings that have occurred from a hand ledger kept by the billing clerk. This has resulted in the over reads and rebills being recorded twice in the control account which accounts for the majority of the \$18,000 difference.

TOWN OF NEWELLTON
Newellton, Louisiana

Schedule of Findings
June 30, 2004

In addition to the double posting of over reads and rebills, two additional material errors occurred during the year. The utility billing for the month of March 2004 was recorded in the control account twice, which resulted in an overstatement of approximately \$74,000. Also, the billing for the period May 15, 2004 through June 15, 2004 was not recorded in the control account until July 9, 2004. This error resulted in an understatement of approximately \$46,000.

Recommendation:

We recommend that the Clerk post the accounts receivable control account from transactions occurring through the billing system only. We also recommend that the control account be reconciled to the subsidiary ledger on a daily basis. In addition, we recommend that steps be taken by the Clerk to insure that all postings are correctly made to the control account each month.

Management' Corrective Action Plan:

The Clerk will continue to post accounts receivable daily and reconcile the subsidiary ledger once the auditors have balanced the computer to the ledgers.

Town of Newellton
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 October 22, 2003, issued in connection with our examination of the financial statements of the Town of Newellton, Louisiana as of and for the year ended June 30, 2003.

Schedule of Findings and Questioned Costs

03-01 Utility Accounts Receivable

Finding:

The Utility accounts receivable control account is not being reconciled to the subsidiary ledger on a daily basis.

Status:

The town clerk is posting the transactions which occur in the utility receivable subsidiary on a daily basis, but the control account is still not being reconciled to the subsidiary ledger. See current year finding 04-02.

03-02 Cash Disbursements

Finding:

Invoices do not have the proper approval of the Mayor and/or the Aldermen before they are paid.

Status:

Cleared in fiscal 2004.

03-03 Fines

Finding:

There was a lack of proper control over ticket books and tickets that have been written by the police department. Also, the town clerk was not transmitting all traffic violations to the Secretary of the Department of Public Safety as required by La. Revised Statute 32:393C.

**Town of Newellton
Newellton, Louisiana**

Summary Status of Prior Year Findings

Status:

Cleared in fiscal 2004.

Management Letter

1. Compliance with Local Government Budget Act

Finding:

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

Status:

Repeat management letter comment in fiscal 2004.



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

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

MANAGEMENT LETTER

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

In planning and performing our audit of the financial statements of the Town of Newellton (the Town) for the year ended June 30, 2004, we considered its internal control structure in order to determine our auditing procedures for purposes of expressing our opinion on the 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 December 10, 2004 on the financial statements of the Town.

1. Compliance with Local Government Budget Act

Finding:

The Local Government Budget Act provides, among other things, for the amendment of the budget when actual revenues fail to meet budgeted amounts by 5% or more. Even though the Town amended its general fund budget during the year, actual revenues failed to meet budgeted revenues by 7.7%

Recommendation:

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

Management's Corrective Action Plan:

The budget will continue to be monitored and amended as needed.

2. Compliance With Water, Sewer, Garbage, And Trash Ordinances

Finding:

The Board of Aldermen passed on February 12, 2003 Ordinances 511, 512, and 513 establishing the water, sewer, garbage, and trash pickup rates for the Town. As part of these ordinances, these rates would increase or decrease in January of each year based on the Consumer Price Index (CPI). The Town received a memorandum dated February 12, 2004 from their engineer recommending the following changes to the utility rates as required by the Ordinances:

1. Sale of Water:

The monthly minimum charge to residents for the first 2,000 gallons of water used would remain at \$12.50 per month and for each additional thousand gallons the charge would increase to \$3.16. For commercial customers, the monthly minimum charge for the first 2,000 gallons used the monthly charge would remain at \$15.50 per month and for each additional thousand gallons used, the charge would increase to \$3.16.

2. Sewer Services:

The monthly minimum charge to residents for the first 3,000 gallons water used would remain at \$10.00 per month and for each additional thousand gallons of water used the charge for the sewer would increase to \$2.19 per month. For commercial customers the monthly minimum charge for the first 3,000 gallons of water used would remain at \$13.00 per month and for each additional 1,000 gallons of water used the charge would increase to \$2.19 per month.

3. Garbage and Trash Collections:

The monthly charge for residential garbage and trash collection would increase to \$10.19 per month and commercial garbage and trash collection would increase to \$14.27 per month.

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

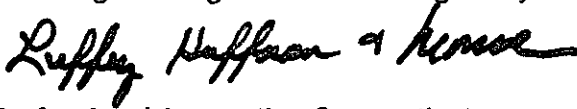
There was no action taken by the Board of Aldermen, per the minutes of the Town, to act upon these proposed increases as required by the Ordinances.

Recommendation:

We recommend that the Board of Aldermen take action each year to adjust the water, sewer, garbage and trash collection rates as required by the Ordinances passed on February 12, 2003, in order to ensure the financial stability of the Utility Fund.

Management's Corrective Action Plan:

The administration will continue to present to the council recommendations from the town's engineering firm concerning utility rate adjustments for their consideration.



(A Professional Accounting Corporation)

December 10, 2004