TOWN OF NEWELLTON, LOUISIANA

Financial Report
As of and For the Year Ended June 30, 2014

TOWN OF NEWELLTON, LOUISIANA

Financial Report As of and For The Year Ended June 30, 2014

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TOWN OF NEWELLTON, LOUISIANA

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Huffman & Soignier

Francis I. Huffman, CPA David Ray Soignier, CPA, MBA, CGMA

(A Professional Accounting Corporation)
CERTIFIED PUBLIC ACCOUNTANTS
INDEPENDENT AUDITORS' REPORT

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

Board of Aldermen Town of Newellton Newellton, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Newellton, Louisiana (the Town) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Board of Aldermen Town of Newellton

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5–11 and page 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The other supplemental information as listed in the table of contents as Schedules 2 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Board of Aldermen Town of Newellton

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2015, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in assessing the results of our audit.

(A Professional Accounting Corporation)

Huffman & Sognier

March 25, 2015

REQUIRED SUPPLEMENTAL INFORMATION (PART A)

Town of Newellton Management's Discussion and Analysis (MD&A) (unaudited) June 30, 2014

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, 2014. It is designed to assist the reader in focusing on significant financial issues, identify changes in the Town's financial position, and identify material deviations and individual fund issues or concerns.

Financial Highlights

- The assets of the Town of Newellton exceeded its liabilities at the close of the most recent fiscal year by \$5,193,691 (net position).
 - ✓ Of this amount \$4,849,321 represented a restriction equal to the net amount invested in land and depreciable assets.
 - ✓ The remainder of \$344,370 of unrestricted net position could be used by the Town's ongoing obligations to citizens and creditors.

The Town's total net position decreased by \$29,976.

- As of the close of the current fiscal year, the Town of Newellton's governmental funds reported combined ending fund balances of \$75,155, an increase of \$2,184 in comparison with the prior year. Of this total amount, \$71,265 is available for spending at the government's discretion (unassigned fund balance).
- The Town paid off its remaining debt of \$100,000 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Newellton maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund.

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

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

Proprietary funds. The Town of Newellton maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements can be found on pages 20 through 23 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 24 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 governmental fund.

Government-wide Financial Analysis. Net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Newellton, assets exceeded liabilities by \$5,193,691 at June 30, 2014. The combined net position decreased by \$29,976 between fiscal years 2013 and 2014.

Capital assets consisting of land, buildings, machinery and equipment and the water system, sewer system and gas system account for the majority of the Town's net position of \$5,193,691. Capital assets (\$8,851,875), net of depreciation (\$4,002,554), total \$4,849,321. The Town of Newellton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Newellton's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Condensed Financial Statements

Table 1
Condensed Statement of Net Position
As of June 30, 2014 and 2013

	Governmen	ıtal	Activities	vities Business-Type Activties			Total				
	2014		2013		2014		2013	_	2014		2013
Current and other assets	\$ 264,823	\$	74,502	\$	450,733	\$	612,145	\$	715,556	\$	686,647
Capital assets	943,942		773,407		3,905,379		3,974,104	_	4,849,321		4,747,511
Total assets	1,208,765		847,909		4,356,112		4,586,249	_	5,564,877		5,434,158
Current and other liabilities	189,668		1,530		181,518		138,956		371,186		140,486
Long-term liabilities	-		-		-	_	70,000	_	·,		70,000
Total liabilities	189,668		1,530		181,518		208,956		371,186		210,486
				·		•		•		•	
Net investment in											
capital assets	943,942		773,407		3,905,379		3,872,940		4,849,321		4,646,347
Restricted							122,924				122,924
Unrestricted	75,155		72,972		269,215		381,429		344,370		454,401
Total net position	\$ 1,019,097	\$_	846,379	\$	4,174,594	\$	4,377,293	\$	5,193,691	\$	5,223,672

Net position of the Town's governmental activities increased 20.4% to approximately \$1.0 million. Net position of the Town's business-type activities decreased 4.6% to approximately \$4.2 million.

Changes in net position. The Town's total revenue increased by approximately \$273,000 to approximately \$1.3 million (see Table 2). Approximately 56% of the Town's revenue comes from charges for services, 28% from capital / operating grants and contributions, and 16% comes from other general revenues.

The total cost of programs and services increased approximately \$203,000 or 17.6%. The Town's expenses cover all services performed by its office.

Governmental Activities

Revenues for the Town's governmental activities increased approximately \$309,000 or 68% largely due to the receipt of a capital grant for \$255,000 for street improvements. Total expenses increased by approximately \$48,000 or 9%.

Expenses are classified by functions/programs. Public works accounts for approximately 41% or \$242,000, while public safety and general government account for approximately 29% and 30% or \$171,000 and \$163,000, respectively, for the fiscal year 2014.

Table 2
Changes in Net Position
Fiscal Years Ended June 30, 2014 and 2013

	Governme	nta	Activities	ctivities Business-Type Ac			Activities	Total		
	2014	_	2013	_	2014		2013	2014		2013
Revenues		_		-					_	
Program Revenues:										
Charges for services \$	76,924	\$	76,914	\$	659,821	\$	597,763	\$ 736,745	\$	674,677
Operating grants and										
contributions	38,880		38,880				-	38,880		38,880
Capital Grants and										
contributions	254,821				74,128		105,000	328,949		105,000
General Revenues:										
Property taxes	57,109		59,033		-		***	57,109		59,033
Sales taxes	49,499		55,171		~		14	49,499		55,171
Other taxes	2,555		2,611				-	2,555		2,611
Other general revenues	139,453		85,725		(29,299)		29,496	110,154		115,221
Transfers	142,000		134,400		(142,000)	_	(134,400)	M-		-
Total revenues	761,241		452,734	_	562,650	_	597,859	1,323,891	_	1,050,593
Expenses										
General government	174,843		163,202		***		-	174,843		163,202
Public safety	171,208		166,263		_		-	171,208		166,263
Public works	242,467		210,991		-			242,467		210,991
Capital outlay	m		200		~		-	-		200
Interest on long-term debt	***		-		2,472		13,740	2,472		13,740
Water, sewer, and gas expenses					762,877		596,894	762,877	_	596,894
Total expenses	588,518		540,656	-	765,349		610,634	1,353,867	-	1,151,290
Increase (decrease) in position \$	172,723	\$	(87,922)	\$ =	(202,699)	\$	(12,775)	\$ (29,976)	\$_	(100,697)

The related program revenues for fiscal year 2014 directly related to those expenses totaled \$370,625, which resulted in net program expense of \$217,893. The remaining balance of expenses represents the cost to the taxpayers. The costs of governmental activities exceeding restricted state and federal grants are paid primarily from the following sources:

- Property tax revenue is the largest general revenue source for the Town of Newellton. It provides approximately \$57,000 of general fund revenue.
- Licenses and permits along with franchise fees are a significant source of revenue to the Town, generating approximately \$59,000 of general fund revenue.
- Sales taxes provide approximately \$49,000 in general fund revenue.

Business-type activities

Business-type activities decreased the Town of Newellton's net position by approximately \$194,000.

Revenues decreased approximately 6% to \$563,000 and expenses of the Town's business-type activities increased approximately 25% to \$765,000.

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 \$75,155, an increase of \$2,184 in comparison with the prior year. Approximately 95% of this total amount (\$71,265) constitutes unassigned fund balance, which is available for spending at the Town's discretion. The remainder of fund balance (\$3,890) is nonspendable 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 prior to June 30. The original budget for the Town was adopted on June 12, 2013, and the final budget amendment was adopted on June 11, 2014.

Original budget compared to final budget. The General Fund original budget forecasted a positive fund balance of \$72,971 at year-end. Total revenues were amended to \$625,000 from the originally budgeted \$432,400, most of which related to intergovernmental revenues for street improvements which increased from \$149,000 in the original budget to \$341,017 in the amended budget. Similarly, expenditures were amended for the original budget of \$524,400 to \$735,000 with the majority being related to Capital Outlay that was originally reported at \$88,000 and amended to \$265,200, also related to the street improvements. Transfers in was also amended from \$92,000 to \$110,000.

Final budget compared to actual results. General fund revenue actual amounts were budgeted within 2.4% of the budget (\$625,000 budget versus \$610,214 actual). Transfers in were in excess of final budget by \$32,000 resulting in a net increase of actual over revised budget of approximately \$26,000. Appropriations were under the amended budget resulting in total actual charges to appropriations being less than revised budget by \$6,057.

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, 2014, amounts to \$4,849,321 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery, vehicles and equipment (See Table 3). Additions to capital assets for the general fund in current year was primarily comprised of Town streets and drainage. Also, \$64,983 of service equipment and \$22,996 of water plant/system improvements were added to the business-type activities during the current fiscal year. In addition, depreciation expense totaled \$226,073.

Table 3 presents capital assets net of depreciation at June 30, 2014 and 2013.

Table 3 Capital Assets As of June 30, 2014 and 2013

	Governme	enta	tal Activities Business-Type Activities			Total				
	2014		2013		2014 2013		 2014		2013	
Land	\$ 1,000	\$	1,000	\$	19,650	\$	19,650	\$ 20,650	\$	20,650
Buildings	539,644		536,726				~	539,644		536,726
Vehicles	355,521		324,735		-		-	355,521		324,735
Furniture and equipment	52,978		91,649		205,603		140,620	258,581		232,269
Signage	8,750		8,750		-		-	8,750		8,750
Water system	-		-		2,710,793		2,687,797	2,710,793		2,687,797
Sewer system	-		-		2,876,474		2,876,474	2,876,474		2,876,474
Gas system	-		-		1,337,455		1,337,455	1,337,455		1,337,455
Streets and drainage	744,007		517,493		-		_	 744,007		517,493
Total	1,701,900		1,480,353		7,149,975	_	7,061,996	 8,851,875		8,542,349
Less: accumulated depreciation	(757,958))	(706,946)		(3,244,596)		(3,087,892)	 (4,002,554)		(3,794,838)
Total Capital Assets	\$ 943,942	_ \$ _	773,407	\$	3,905,379	\$	3,974,104	\$ 4,849,321	\$	4,747,511

Long-Term Debt. The Town had no revenue bonds outstanding at the end of June 2014 as compared to \$100,000 at the end of June 2013 as a result of the Town paying off both of the remaining bonds of \$85,000 and \$15,000, 3 years early. This debt represents bonds secured solely by specified revenue sources such as the Utility Fund revenues.

Economic Factors and Next Year's Budgets and Rates

Factors considered in preparing the Town of Newellton's budget for the 2015 fiscal revealed no major expected changes in the ad valorem tax base or sales tax collections as compared to prior year. Also, there were no major changes in expenditures budgeted.

Requests for Information

This financial report is designed to provide a general overview of the Town of Newellton's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Clerk, P O Box 477, Newellton, Louisiana 71357 or by calling 318-467-5050.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position

June 30, 2014

		Governmental Activities		Business-type Activities		Total
Assets	-	2202770205	~ -	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1		
Cash	\$	56,884	\$	118,536	\$	175,420
Investments		**		235,934		235,934
Receivables		10,115		66,525		76,640
Due from other governmental units		193,934		24,778		218,712
Prepaid expenses		3,890		4,960		8,850
Capital assets, net		943,942		3,905,379		4,849,321
Total Assets		1,208,765		4,356,112		5,564,877
Liabilities						
Accounts payable and accrued expenses		199,942		76,371		276,313
Payroll liabilities		6,751		4,648		11,399
Internal balances		(17,025)		17,025		-
Deposits held	_	••		83,474		83,474
Total Liabilities	•	189,668		181,518		371,186
Net Position						
Net investment in capital assets		943,942		3,905,379		4,849,321
Unrestricted		75,155		269,215		344,370
Total Net Position	\$	1,019,097	\$_	4,174,594	\$ _	5,193,691

Statement of Activities

For the Year Ended June 30, 2014

					Ne	t (Expense) Revenue	
			Program Revenue	3	and	Changes in Net Asset	<u>s</u>
			Operating	Capital			
		Charges for	Grants and	Grants and	Governmental	Business-Type	
	Expenses	Services	Contributions	Contributions	Activities	<u>Activities</u>	Total
Functions/Programs							
Primary government							
Governmental activities							
General government \$	174,843 \$	- \$	- \$	-	\$ (174,843) \$	- \$	(174,843)
Public safety	171,208	~	-	-	(171,208)	-	(171,208)
Public works	242,467	76,924	38,880	254,821	128,158		128,158
Total governmental activities	588,518	76,924	38,880	254,821	(217,893)	-	(217,893)
Business-type activity							
Utility operations	762,877	659,821	w	74,128	-	(28,928)	(28,928)
Interest on long-term debt	2,472	•	-	_	-	(2,472)	(2,472)
Total business-type activities	765,349	659,821	_	74,128		(31,400)	(31,400)
Total primary government \$	1,353,867 \$	736,745 \$	38,880 \$	328,949	(217,893)	(31,400)	(249,293)
General revenues							
Taxes							
Ad valorem taxes					57,109		57,109
Sales taxes					49,499	-	49,499
Other taxes					2,555	*	2,555
Video poker					10,033	_	10,033
Licenses and permits					59,245	-	59,245
Fines and forfeitures					36,325		36,325
Interest earnings					71	1,258	1,329
Other	,				24,752	307	25,059
Loss from jointly owned gas operations	and maintenance	fund			w	(30,864)	(30,864)
Gain on sale of capital assets					9,027	-	9,027
Transfers in (out)					142,000	(142,000)	-
Total general revenues					390,616	(171,299)	219,317
Change in net position					172,723	(202,699)	(29,976)
Net position at beginning of year					846,374	4,377,293	5,223,667
NET POSITION AT END OF YEAR					\$ 1,019,097	\$ <u>4,174,594</u> \$	5,193,691

FUND FINANCIAL STATEMENTS

Newellton, Louisiana Governmental Funds Balance Sheet June 30, 2014

		Major Fund General Fund
ASSETS	3.4444.4444	
Cash	\$	56,884
Receivables		
Sales taxes		4,267
Other receivables		5,848
Due from other governmental units		193,934
Prepaid expenses		3,890
Due from other fund		17,025
TOTAL ASSETS	\$	281,848
LIABILITIES AND FUND EQUITY		
Liabilities		
Accounts payable	\$	199,942
Payroll liabilities	Mariana	6,751
Total liabilities		206,693
Fund equity		
Fund balance		
Nonspendable: Prepaid expenses		3,890
Unassigned		71,265
Total fund balance		75,155
TOTAL LIABILITIES AND FUND EQUITY	\$	281,848

Newellton, Louisiana

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2014

Fund balance - total governmental funds		\$	75,155
Amounts reported for governmental activities are not financial resources and, therefore, are not reported in the governmental funds:			
Governmental capital assets Less: accumulated depreciation	\$	1,701,900 (757,958)	943,942
•	***************************************		 ,
Net position of governmental funds		\$	 1,019,097

Newellton, Louisiana Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balance For the Year Ended June 30, 2014

		Major Fund
		General
		Fund
Revenues		
Taxes		
Ad valorem	\$	57,109
Sales		49,499
Charges for services		76,924
Commissions for services		21,380
Licenses and permits		37,865
Intergovernmental		
Federal		254,821
State		12,588
Local		38,880
Fines and forfeitures		36,325
Use of money and property		71
Other revenues	***************************************	24,752
Total Revenues		610,214
Expenditures		
Current		
General government		168,309
Public safety-police		136,853
Public safety-fire		463
Public works		193,214
Capital outlay		260,218
Total Expenditures		759,057
Excess (Deficiency) of Revenues over Expenditures		(148,843)
Other Financing Sources / (Uses)		
Proceeds of capital assets dispositions		9,027
Transfers in		142,000
Total Other Financing Sources / (Uses)	w	151,027
Excess (Deficiency) of Revenues and Other Sources Over		
Expenditures and Other Uses		2,184
Fund Balance at Beginning of Year		72,971
FUND BALANCE AT END OF YEAR	\$	75,155

Newellton, Louisiana

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2014

Net change in fund balance - total governmental funds			\$	2,184
Amount reported for governmental activities in the statement of are different because: Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	activ	vities		
Capital outlay	\$	260,218		
Depreciation expense	<u></u>	(89,679)		170,539
Capital assets nor depreciation are reported in the Governmental Funds. Capital assets and accumulated depreciation are reported in the Statement of Net Position. During the year, the Town sold assets that had been fully depreciated which resulted in the same amounts being reported on Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Net Position. Proceeds from sale of assets Gain on sale of assets	_	(9,027) 9,027	- Control of the Cont	_
Change in net position of governmental activities			\$	172,723

Newellton, Louisiana

Business-type Activities - Proprietary Fund Statement of Net Position June 30, 2014

	kaladifora	Major Fund Utility Fund
ASSETS		
Current assets		
Cash	\$	118,536
Investments		235,934
Accounts receivable - net		66,525
Due from other governments		24,778
Prepaid expenses		4,960
Total current assets		450,733
Capital assets		
Non-depreciable		19,650
Depreciable		7,130,325
Total capital assets	*****	7,149,975
Accumulated depreciation		(3,244,596)
Net capital assets		3,905,379
Total assets	\$	4,356,112
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses	\$	76,371
Payroll liabilities		4,648
Due to other funds		17,025
Total current liabilities		98,044
Noncurrent liabilities		
Customer deposits		83,474
Total noncurrent liabilities		83,474
Total liabilities		181,518
Net position		
Net investment in capital assets		3,905,379
Unrestricted		269,215
Total net position		4,174,594
Total liabilities and net position	\$	4,356,112

Newellton, Louisiana

Business Type Activity - Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Position

For The Year Ended June 30, 2014

	***************************************	Major Fund Utility Fund
OPERATING REVENUES		Juney Fund
Water sales	\$	242,408
Gas sales	•	255,486
Sewerage fees		140,904
Plumbing fees		4,654
Penalties		16,369
Total operating revenues		659,821
OPERATING EXPENSES	محمد بسید. -	
Bad debts		388
Computer consultants		2,979
Depreciation		156,704
Dues and subscriptions		889
Engineering		3,234
Equipment Equipment		12,756
Gas purchases		176,153
Insurance - general		18,616
Legal and audit		33,265
Miscellaneous expenses		5,468
Office supplies		12,970
		4,588
Postage Salaries and related benefits		175,159
		27,609
Supplies-plant		12,089
Supplies and expenses caryon		5,643
Supplies and expenses sewer		62,537
Supplies and expenses-water		9,764
Telephone		
Travel and meetings		7,273
Utilities	***************************************	34,793
Total operating expenses		762,877
Operating income (loss)		(103,056
NONOPERATING REVENUES (EXPENSES)		74.100
Grants		74,128
Interest earnings		1,258
Loss from jointly owned gas line		(30,864
Other nonoperating revenues		301
Interest expense		(2,472
Total nonoperating revenue (expenses)		42,35
Income (loss) before operating transfers		(60,699
OPERATING TRANSFERS		
Transfers out		(142,000
Net transfers	***************************************	(142,000
Net income (loss)		(202,699
Net Position beginning of year		4,377,293
Net Position end of year	\$	4,174,594

Statement I

TOWN OF NEWELLTON Newellton, Louisiana

Business-type Activity - Enterprise Fund Statement of Cash Flows For the Year Ended June 30, 2014

		ajor Fund
Cosh flows from energting activities		tility Fund
Cash flows from operating activities Cash received from customers	\$	670 100
	Þ	678,182
Cash paid for employee services Cash payments to suppliers for goods and services		(174,268)
		(369,962)
Net cash provided by operating activities		133,952
Cash flows from noncapital financing activities		
Transfers to general fund from the utility fund		(142,000)
Net cash used in noncapital financing activities		(142,000)
Cash flows from capital and related financing activities		
Grant received for acquisition of capital assets		49,350
Acquisition of capital assets		(87,979)
Principal paid on debt		(100,000)
Interest paid on debt		(3,636)
Net cash used for financing activities		(142,265)
Cash flows from investing activities		
Purchases of investments		(14,807)
Receipt of other nonoperating proceeds		307
Interest received on investments		1,258
Distribution received from Joint Gas Line investment		60,000
Net cash provided by investing activities	***************************************	46,758
The cash provided by hivesting activities		40,730
Net increase (decrease) in cash		(103,555)
Cash, beginning of year	***************************************	222,091
Cash, end of year	\$	118,536
Shown on the accompanying statement of net assets as	Φ.	110 707
Current assets: Cash	\$	118,536
	(Cor	ntinued)
The accompanying notes are an integral part of this financial statement.	-	,

Statement I

TOWN OF NEWELLTON Newellton, Louisiana

Business-type Activity - Enterprise Fund Statement of Cash Flows (Concluded) For the Year Ended June 30, 2014

	Major Fund	
Describition of an exoting income to not each		Utility Fund
Reconciliation of operating income to net cash		
provided by operating activities	ø.	(102.056)
Operating income	\$	(103,056)
Adjustments to reconcile operating loss to net cash		
provided by operating activities		
Depreciation		156,704
Bad debt expense		388
Change in assets and liabilities		
Accounts receivable		6,250
Prepaid expenses		(60)
Accounts payable and accrued liabilities		60,724
Payroll liabilities		891
Due to other funds		7,276
Customer deposits	gapaters.	4,835
Net cash provided by operating activities	\$_	133,952
Supplemental disclosure of noncash capital investing activities		
Decrease in the investment of the jointly owned		
gas operations and maintenance fund	\$_	(30,864)
Total noncash capital investing activities	\$_	(30,864)

Notes To Financial Statements As of and For The Year Ended June 30, 2014

Note 1 - Summary of Significant Accounting Policies

A. Financial Reporting Entity

The accompanying financial statements include all funds and account groups of the Town of Newellton, Louisiana (the Town). The accompanying financial statements of the Town have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Town consists of an executive branch of government headed by a mayor and a legislative branch of government consisting of five aldermen. The Town's major operations include police, street and drain maintenance, garbage and trash collection and administrative services. The Town also operates an enterprise fund to provide gas, sewerage and water services.

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

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

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

Notes To Financial Statements As of and For The Year Ended June 30, 2014

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

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

B. Basis of Presentation

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

Government-wide Financial Statements

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

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

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

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

Notes To Financial Statements As of and For The Year Ended June 30, 2014

Fund Financial Statements

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

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

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

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

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

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

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

Notes To Financial Statements As of and For The Year Ended June 30, 2014

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

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

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

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

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

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

Notes To Financial Statements As of and For The Year Ended June 30, 2014

Expenditures and Expenses:

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

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

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

Proprietary Funds:

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

1. Water rates charged:

- a. Residential customers are charged \$26.00 for the first 2,000 gallons of water and \$4.00 for each additional 1,000 gallons or fraction thereof.
- b. Commercial customers are charged \$31.00 for the first 2,000 gallons used and then \$4.00 for each additional 1,000 gallons or fraction thereof.

2. Sewer rates charged:

- a. Residential customers are billed \$14.20 for the first 2,000 gallons of water used. They are then billed \$3.34 for each 1,000 gallons or fraction thereof.
- b. Commercial customers are charged \$18.46 for the first 2,000 gallons of water purchased. They are then charged \$3.34 for each additional 1,000 gallons or fraction thereof of water used.
- 3. Gas rates charged to customers are \$13.00 per 1,000 cubic feet of gas used.

Notes To Financial Statements As of and For The Year Ended June 30, 2014

C. Budgets and Budgetary Accounting

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

- 1. The proposed budget is submitted by the Town Clerk and the Mayor to the Board of Aldermen prior to July 1 of the ensuing year. Notice of the location and availability of the proposed budget for public inspection and the date of the public hearing to be conducted on the budget is then advertised in the official journal of the Town.
- 2. After the public hearing, the budget is adopted by passing an ordinance approving the budget at the selected June board meeting.
- 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, 2014, the Town adopted a budget for the General Fund on June 12, 2013 and amended the budget on June 11, 2014.

D. Assets, Liabilities, and Fund Equity

Cash, Cash Equivalents, and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Town's investment policy allow the Town to invest in collateralized certificates of deposits, government backed securities, commercial paper, and state sponsored investment pool and mutual funds consisting solely of government backed securities. Deposits with original maturity dates exceeding 90 days are classified as investments. Investments are reported at fair value. The Town's investment policy is to only have certificates of deposit.

Interfund Receivables and Payables

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

Notes To Financial Statements As of and For The Year Ended June 30, 2014

Capital Assets

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

As permitted by GASB Statement No. 34, the Town has elected not to report infrastructure assets retroactively. Beginning with the year ended June 30, 2005, the Town began capitalizing infrastructure as expenditures when incurred.

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

All purchased capital assets greater than \$1,000 are recorded at cost where historical records are available and at estimated cost where no historical records are available. Donated fixed assets are valued at fair market value at date of gift. Major additions are capitalized while maintenance and repairs that do not improve or extend the life of the respective assets are charged to expense. Interest is capitalized on funds used during construction of projects acquired with bond funds. No interest was capitalized during the year ended June 30, 2014.

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

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

Long-Term Liabilities

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

Compensated Absences

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

Notes To Financial Statements As of and For The Year Ended June 30, 2014

Restricted Net Position

For the government-wide statement of net position, net position is reported as restricted when constrains placed on net asset use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments.

Imposed by law though constitutional provisions or enabling legislation.

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.

The Town does not have any such fund balances in the current fiscal year.

Fund Equity of Fund Financial Statements

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

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

Restricted: Fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers such as federal or state regulations for future use or through enabling legislation and are, therefore, not available for future appropriation or expenditure. The Town does not have any such fund balances in the current fiscal year.

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

Assigned: Fund balance that is constrained by the Board of Aldermen's intent to be used for specific purposes, but are neither restricted nor committed. Intent

Notes To Financial Statements As of and For The Year Ended June 30, 2014

should be expressed by the Board. The Town does not have any assigned fund balances in the current fiscal year.

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

The Board of Aldermen has not established a formal policy regarding the order of spending fund balances that are restricted, committed, or assigned. The Town's informal policy for the spending prioritization of fund balances is that restricted would receive top priority followed by committed. Assigned balances receive the least priority and would be authorized to be spent only if adequate funds were available. If expenditures incurred exceed the amount that have been committed or assigned to a specific purpose, amounts unassigned would be reduced to eliminate the deficit.

E. Electrical System Operating Agreement

On September 9, 1998, the Board of Aldermen of the Town authorized an operating agreement between the Town and Louisiana Power and Light (Entergy) for Entergy to operate the electric system within the corporate limits of the Town for a period of twenty-five years. The agreement provides that Entergy will pay to the Town two percent of total revenue collected from the sale of electric service to residential and commercial customers within the Town. Revenues under this agreement totaled \$18,296 for the year ended June 30, 2014.

F. Bad Debts

Uncollectible amounts for ad valorem taxes are generally not significant. As a result, the direct write-off method for recognizing bad debts is used. Under this method, the receivable is charged to expense when the account is deemed to be uncollectible. The Town uses the allowance method for recognizing bad debts for customers' utility receivables. An allowance of \$4,524 has been set up for the year ended June 30, 2014.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Notes To Financial Statements As of and For The Year Ended June 30, 2014

H. Equity Investments

The Town has a 50% ownership in a jointly owned gas line (see Note 6) that is accounted for using the equity method. Under this method, investments are carried at cost and increased or decreased by the Town's share of earnings or losses. Also see related Note 16 and Note 17.

Note 2 - Cash and investments

At June 30, 2014, the Town has cash and investments totaling \$411,354 with \$175,420 in demand deposits and \$235,934 in certificates of deposit.

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

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

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

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

At year-end, the Town's carrying amount of deposits, including cash equivalents was \$411,354 and bank balances of \$407,516. Of the bank balance, \$250,000 is covered by federal depository insurance and \$157,516 by pledged securities. Accordingly, the Town had no custodial credit risk related to its deposits at June 30, 2014.

Notes To Financial Statements As of and For The Year Ended June 30, 2014

Note 3 - Accounts Receivable

Receivables are primarily composed of amounts due from residential customers living in the Town. Accounts receivable, net of allowance for doubtful accounts, are \$76,640 as of June 30, 2014 and are comprised of the following:

	General Fund	Utility Fund	Total
Accounts Receivable			
Sales taxes	\$ 4,267	\$ -	\$ 4,267
Franchise Fees	5,848	w	5,849
Returned checks	-	322	322
Customer receivables	***	70,727	70,727
Less: Allowance for doubtful accounts		(4,524)	(4,524)
Total	\$ 10,115	\$ 66,525	\$ 76,640

The Town has 430 residential and 52 commercial water customers and 423 residential and 47 commercial sewer customers. The Town also serves 260 residential and 62 commercial gas customers. A substantial portion (93%) of the \$70,727 in utility customer receivables are current and are classified as follows: Water, \$24,132; Gas, \$25,434; Sewer, \$14,027 and Other, \$7,134.

Note 4 - Due from Other Governments

At June 30, 2014, the Town had amounts due from other governments totaling \$218,712. Of this amount, \$193,934 relates to the General Fund with \$188,514, \$1,518 and \$661 due from the State of Louisiana for an LCDBG reimbursement grant for street improvements, for video poker and for the beer tax, respectively. Another \$3,240 is due from the Tensas Parish Police Jury for garbage pickup. Another \$24,778 in the Utility Fund is also due from the State of Louisiana and is a reimbursement for a utility truck that was purchased by the Town.

Note 5 - Restriction on Use of Funds

Under the terms of the bond indenture pertaining to Revenue Bonds dated April 6, 1976, all income and revenue earned from operation of the combined waterworks and gas system was pledged to secure payment of principal and interest of the Revenue Bond. These bonds were paid off in fiscal year 2014 and therefore, the restrictions were lifted and the funds in these bank accounts were transferred into an unrestricted bank account in the Utility Fund.

Notes To Financial Statements As of and For The Year Ended June 30, 2014

Note 6 - Changes in Capital Assets

The following schedule presents changes in capital assets for the year ended June 30, 2014:

		Balance 6/30/2013	Additions		Deletions		Balance 6/30/2014
Governmental Activities	*****	0/30/2013	2 Kudzelolis		17010010110		0/30/2014
Nondepreciable assets							
Land	\$	1,000 \$		\$	_	\$	1,000
Total nondepreciable assets	Ψ	1,000 \$		Ψ_		Ψ_	1,000
Total hondepreciable assets		1,000	-		~		1,000
Depreciable assets							
Building		50,300	2,918		***		53,218
Vehicles		329,725	25,796		_		355,521
Furniture and equipment		91,649	-		38,671		52,978
Fire station		486,426	-		-		486,426
Signage		8,750	-		_		8,750
Streets and drainage		512,503	231,504		-		744,007
Total depreciable assets		1,479,353	260,218		38,671		1,700,900
Less accumulated depreciation		(706,950)	(89,679)		(38,671)		(757,958)
Net governmental activities				-			
capital assets	\$_	773,407_\$	170,539	\$_	-	\$=	943,942
Business-type activities							
Nondepreciable assets							
Land	\$	19,650 \$	**	9	-	\$	19,650
	****	19,650	**	•••	N+		19,650
Depreciable assets							
Water system		2,687,797	22,996		***		2,710,793
Sewer system		2,876,474	-		-		2,876,474
Gas system		1,328,027	-		~		1,328,027
Gas pipeline		9,428	-		-		9,428
Service equipment		132,354	64,983		-		197,337
Office equipment		8,266			-	_	8,266
Total depreciable assets		7,042,346	87,979	_	-		7,130,325
Less accumulated depreciation		(3,087,892)	(156,704)				(3,244,596)
Net business-type capital assets	\$ =	3,974,104 \$	(68,725)	\$ _		\$ ==	3,905,379

Notes To Financial Statements As of and For The Year Ended June 30, 2014

Detailed records of capital assets acquired prior to June 30, 1974, are not available. Estimation of the cost of these assets was made through examinations of bond and grant proceeds for construction and additions, and discussion with elected officials and long-time Town employees. All major proprietary fund asset additions have been made through bond and grant programs. Therefore, depreciation on these assets has been estimated at an amount consistent with that charged to operations in previous years. Depreciation on assets placed in service subsequent to June 30, 1974, has been calculated on the straight-line basis over their estimated useful lives. Depreciation of \$89,679 was charged to governmental activities as follows: General Government, \$6,534; Public Safety, \$33,892; and Public Works, \$49,253. Depreciation of \$156,704 as of June 30, 2014, was charged to expense in for utility operations.

Note 7 - Investment in Joint Gas Line

The Towns of Newellton and St. Joseph, Louisiana entered into a joint venture, called the Town of Newellton and the Town of St. Joseph, Louisiana Jointly Owned Gas Operations and Maintenance Fund (the Joint Gas Line) to provide natural gas to the two towns for resale to their citizens and approximately fifteen other customers in the service area. The Boards of Aldermen and the Mayors of the two towns govern the Joint Gas Line but its accounting is handled by the Town of St Joseph. Each of the Towns own 50% of the net worth of the joint venture. This amount is typically shown as an asset called Investment in Joint Gas Line. However, see Note 16 regarding the financial status of the Joint Gas Line which is reflected on these financial statements at \$0. Accounts payable includes \$2,296 for the gas consumed in June 2014 that is due to the Joint Gas Line as well as \$53,715 payable to the gas supplier. Summary financial information for the joint venture at June 30, 2014, and for the year then ended, is as follows:

Total assets	\$	30,576
Total liabilities	_	(117,038)
Total fund deficit	\$	(86,462)
Total revenues	\$	318,052
Total cost of sales		(406,854)
Gross profit		(88,802)
Operating expenses		(45,337)
Nonoperating revenue	_	96
Net income (loss)	•	(134,043)
Net position, beginning of year		167,581
Distributions		(120,000)
Net position (deficit), end of year	\$	(86,462)

Notes To Financial Statements As of and For The Year Ended June 30, 2014

Note 8 - Long-Term Debt

The following is a summary of long term-debt transactions of the Town for the year ended June 30, 2014:

)	Business-Type .	Activities - Re	venue Bonds
	_	1976	1976	
		Bonds	Bonds	
		\$550,000	\$100,000	Total
Balance, June 30, 2013 Additions	\$	85,000 \$	15,000 \$	100,000
Retirements		(85,000)	(15,000)	(100,000)
Balance, June 30, 2014	\$_	\$	\$	-

For the fiscal year ended June 30, 2014, the amount of interest charged to expense was \$2,472 for revenue bonds.

During fiscal year 2014, the Town paid off the remaining \$100,000 of its 1976 bond series which reduced its interest payments over the next 3 years by \$10,250 for an economic gain of \$6,611.

Note 9 - Interfund Receivables and Payables

Individual fund interfund receivables and payables at June 30, 2014, are as follows:

	Interfund			Interfund		
	R	eceivables		Payables		
General Fund	\$	17,025	\$	_		
Utility Enterprise Fund		-		17,025		
Total	\$	17,025	\$_	17,025		

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

Notes To Financial Statements As of and For The Year Ended June 30, 2014

Note 10 - Interfund Transfers

Individual fund transfers in and out at June 30, 2014 are as follows:

		Operating Transfers					
	In			Out			
General Fund	\$	142,000	\$	<u></u>			
Enterprise Fund		-		142,000			
Total	\$	142,000	\$	142,000			

Transfers are used to (1) move revenues from the fund that is required by statute or budget to collect them to the fund that is required by statute or budget to expend them, (2) use unrestricted revenues collected in the General fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

In the year ended June 30, 2014, the Town made transfers of \$142,000 from the Utility Fund to the General Fund to cover the cash short fall in the General Fund.

Note 11 - 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 bills and collects its own property taxes using the assessed values determined by the assessor of Tensas Parish.

The ad valorem tax millage for fiscal year 2014 was 20.750 mills.

Note 12 - Federal Revenues

The Town's federal revenues totaling \$254,821, consists of \$231,504 related to a cost reimbursement grant administered by the Louisiana CDBG program for the repaving of streets (Department of Housing and Human Development, CFDA number 14.228, Community Development Block Grant/State's Program) and another \$23,317 which substantially covered the costs of a new vehicle for the Police Department (Department of Justice, CFDA number 16.803, Recovery Act-Edward Byrne Memorial Justice Assistant Grant Program/Grants to States and Territories).

Notes To Financial Statements As of and For The Year Ended June 30, 2014

Note 13 - Pension Plan

Municipal Employees' Retirement System of Louisiana (MERS)

Plan Description. 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 3.00% 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 9.25% 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 current rate is 19.75%. The Town's contributions to the MERS for the years ended June 30, 2014, 2013, and 2012 were \$37,476, \$36,548, and \$36,432; respectively, equal to the statutorily required contributions for each year.

The MERS issues an annual, publicly-available financial report that includes financial statements and required supplementary information for the retirement system. The report may be obtained by writing the Municipal Employees' Retirement System, 7937 Office Park Boulevard, Baton Rouge, LA 70806 or by calling (225) 925-4810.

Note 14 - Related Party Transactions

The Town jointly operates with the Town of St. Joseph, Louisiana that portion of the gas transmission line from the Lake St. John Field to the Town of Newellton. The Town purchases gas from the jointly owned transmission line to be resold to its citizens. For fiscal year 2014 the Town purchased \$122,438 of natural gas from the Joint Gas Line and owed it \$2,296 as of June 30, 2014.

Notes To Financial Statements As of and For The Year Ended June 30, 2014

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

Note 16 - Joint Gas Line Financial Operations

Background

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

The accounting records for the Joint Gas Line are maintained by the mayor of St Joseph along with the responsibility of paying the bills and billing the joint gas line customers for gas purchased. However, both mayors and the board members for each town are responsible for the operation of the Joint Gas Line. The communication between the two Towns on the operation has been very strained and the joint gas line has had accounting issues for several years.

The most significant issue relates to the selling of gas to its users. During the year ended June 30, 2014, the Joint Gas Line purchased gas from the gas supplier totaling \$406,854. The gas was resold to the gas line users, mainly the two towns for \$318,052 (\$122,438 (39%) to the Town of Newellton, \$159,164 (50%) to the Town of St. Joseph and \$36,450 (11%) to other end users) which resulted in an \$88,802 negative gross profit, thereby adversely affecting the financial standing of the Joint Gas Line. In addition to this negative gross profit, the Joint Gas Line incurred additional expenses of \$45,337 for the maintenance of the line which further negatively impacted the Joint Gas Line's financial stability which resulted in a \$134,043 net loss for the year.

Notes To Financial Statements As of and For The Year Ended June 30, 2014

Finally, the Joint Gas Line further decreased its net position by \$120,000, creating a \$254,043 decrease in net position which resulted in a deficit net position of \$86,462 at June 30, 2014 compared to its positive net position of \$167,581 at June 30, 2013.

It should also be noted that by the Joint Gas Line not pricing the gas correctly to its customers, the Town of Newellton did not price its gas that it resold to its customers at an appropriate price.

Contract with the Gas Supplier

The Town Council, along with the Mayor for the Town of Newellton met to discuss the problems in the operations of the Joint Gas Line at various times of the year and met with the gas supplier in an effort to produce a contract. The Town of Newellton met with the gas supplier on September 25, 2013 who provided a contracted price of cost plus \$2.25 per unit. The Town of Newellton asked for a 10 day period to discuss the contract. The gas supplier acknowledged that the Town of St. Joseph had rejected the same contracted price. At the October 9, 2013 board meeting, the Town of Newellton agreed to attempt to have a joint meeting of the two towns. No date was ever agreed to by the mayor of the Town of St. Joseph.

A special meeting on October 29, 2013 was called and the gas supplier stated that the contract would now be at cost plus \$3.00. The contract was not approved, therefore the towns continued operating the Joint Gas Line without a contract to purchase gas.

Lawsuit by the Gas Supplier Against the Towns

Given the severity of the lack of working capital due to inadequate pricing of its one commodity and ill-timed distributions of cash, the Joint Gas Line was unable to meet its financial responsibilities which resulted in a law suit being filed against each of the towns by the gas line supplier on April 2, 2014 alleging that the current gas contract and any extensions terminated on November 1, 2013 and that both parties were engaged in negotiations on a new agreement.

The gas supplier claimed that it had agreed to the new terms contained in the proposed agreement, along with the agreement of the Town of Newellton. However, the Town of St. Joseph had not agreed to the terms on the proposed agreement. The litigation concerned the price to be paid for gas from November 1, 2013 and forward, including an increase in the delivery charge. The gas supplier contended that it had a contract with the Joint Gas Line based on the proposed agreement while the management of the Joint Gas Line continued to pay the amount stated in the original contract which expired on November 1, 2013. The gas supplier also sued for amounts due to him.

Notes To Financial Statements As of and For The Year Ended June 30, 2014

Given that the Town of Newellton was unaware of its inadequacy in billing at a rate significant enough to cover its cost to its gas customers, the Town of Newellton had to use its own funds to compensate the gas supplier for gas purchases. The judge ordered the \$9,800 in court costs and attorney fees to be paid by the Town of St. Joseph since it was the party that did not act in good faith.

Lawsuit by the Town of Newellton against the Town of St. Joseph

Due to lack of management and poor financial affairs of the Joint Gas Line and the inability to get financial information in order to assess the current financial status of the Joint Gas Line from the mayor of the Town of St. Joseph, the Town of Newellton sued the Town of St Joseph on April 23, 2014. The suit asks the court to transfer all books, records, and responsibility of the Joint Gas Line to the Town of Newellton, including but not limited to, the payment of invoices and compliance with requests from auditors and other oversight entities. (See Note 17)

Note 17 - Subsequent Events

Management has evaluated subsequent events through March 25, 2015, the date which the financial statements were available to be issued and determined that three subsequent events occurred that required disclosure:

The lawsuit filed by the gas supplier to the Joint Gas Line was settled on October 10, 2014 in favor of the gas supplier and each town was ordered to pay \$53,714.66, to the gas supplier. This amount has been included in the 2014 financial statements with an increase to the Utility Fund's accounts payable and expenses (gas purchases).

In November 2014, the Joint Gas Line approved a contract that was signed by all three parties where the gas will be delivered at the Henry Hub Gas price, plus \$2.25 transportation fee per MMBTU (one million BTUs).

The lawsuit by the Town of Newellton against the Town of St. Joseph is still pending.

REQUIRED SUPPLEMENTAL INFORMATION (PART B)

General Fund Budgetary Comparison Schedule (GAAP Basis)

(unaudited)

Fiscal Year Ended June 30, 2014

Budgeted Amounts						
		Original		Final	Actual	Positive
		Budget		Budget	Amounts	(Negative)
Budgetary fund balance at			,			
beginning of year	\$	72,971	\$	72,971 \$	72,971 \$	M4
Resources (inflows)						
Ad valorem taxes		66,000		58,000	57,109	(891)
Sales and other taxes		45,000		56,000	49,499	(6,501)
Charges for services		77,000		76,000	76,924	924
License and permits						
Franchise revenue		25,000		18,300	21,380	3,080
Occupational & other licenses		35,000		38,000	37,865	(135)
Intergovernmental revenue		149,000		341,017	306,289	(34,728)
Fines and forfeitures		35,000		35,000	36,325	1,325
Interest income		400		50	71	21
Miscellaneous		-		2,633	24,752	22,119
Total revenues	-	432,400		625,000	610,214	(14,786)
Proceeds of capital asset dispositions		-		-	9,027	9,027
Transfers in		92,000		110,000	142,000	32,000
		92,000		110,000	151,027	41,027
Total resources (inflows)		524,400		735,000	761,241	26,241
Amounts available for appropriations		597,371		807,971	834,212	26,241
Charges to appropriations (outflows)						
Current:						
General government Public safety		148,100		156,000	168,309	(12,309)
Police department		125,000		153,000	136,853	16,147
Fire department		650		800	463	337
Public works		162,650		178,000	193,214	(15,214)
Capital outlay		88,000	brounds	265,200	260,218	4,982
Total charges to appropriations (outflows)		524,400		753,000	759,057	(6,057)
Budgetary fund balance						
at end of year	\$	72,971	\$	<u>54,971</u> \$ _	75,155 \$	20,184

OTHER SUPPLEMENTAL INFORMATION

Schedules of Net Position - Enterprise Fund June 30, 2014 and 2013

		2014		2013
ASSETS				
Current assets	ď.	110 526	Φ	00.100
Cash	\$	118,536	\$	99,168
Investments		235,934		221,127
Accounts receivable - net		66,525		73,163
Due from other governments		24,778		4.000
Prepaid expenses		4,960	******	4,900
Total current assets		450,733		398,358
Restricted assets				100.000
Cash and cash equivalents	***************************************	·····		122,923
Total restricted assets				122,923
Capital assets				
Non-depreciable		19,650		19,650
Depreciable		7,130,325		7,042,346
Total capital assets	-	7,149,975		7,061,996
Accumulated depreciation		(3,244,596)		(3,087,892)
Net capital assets		3,905,379		3,974,104
Other assets	NEW COLUMN			
Investment in jointly owned gas operations				
and maintenance fund	***************************************	**-		90,864
Total assets	\$	4,356,112	\$	4,586,249
LIABILITIES AND NET POSITION				
Current liabilities				
Accounts payable and accrued expenses	\$	76,371	\$	15,647
Payroll liabilities		4,648		3,757
Due to other funds		17,025		9,749
Total current liabilities	*********	98,044		29,153
Liabilities payable from restricted assets				
Accrued interest payable		-		1,164
Current portion of revenue bonds payable		-		30,000
Total restricted liabilities			_	31,164
Noncurrent liabilities				
Customer deposits and customer prepayments		83,474		78,639
Revenue bonds payable		- -		70,000
Total noncurrent liabilities		83,474		148,639
Total liabilities		181,518		208,956
Net position				
Net investment in capital assets		3,905,379		3,872,940
Restricted:				~ ~ ~ ~ ~
Debt service		-		75,275
Depreciation and contingency				47,648
Unrestricted	***********	269,215		381,430
Total net position		4,174,594		4,377,293
Total liabilities and net position	\$	4,356,112	\$	4,586,249

Schedules of Revenues, Expenses, and Changes in Net Position - Enterprise Fund For The Years Ended June 30, 2014 and 2013

		2014	are an all a	2013
Operating revenues:	•	242 400	Φ	222 224
Water sales	\$	242,408	\$	239,306
Gas sales		255,486		205,997
Sewerage fees		140,904		134,844
Plumbing fees		4,654		1,736
Penalties		16,369		15,880
Total operating revenues		659,821		597,763
Bad debts		388		1,216
Computer consultants		2,979		3,008
Depreciation		156,704		146,169
Dues and subscriptions		889		3,726
Engineering		3,234		5,542
Equipment		12,756		11,939
Gas purchases		176,153		97,610
Insurance - general		18,616		18,502
Legal and audit		33,265		21,994
Miscellaneous expenses		5,468		1,129
Office supplies		12,970		6,311
Postage		4,588		3,547
Salaries and related benefits		175,159		149,319
Supplies-plant		27,609		20,268
Supplies and expenses-gas		12,089		3,224
Supplies and expenses-sewer		5,643		10,554
Supplies and expenses-water		62,537		48,288
Telephone		9,764		9,482
Travel and meetings		7,273		3,564
Utilities		34,793		31,502
Total operating expenses		762,877		596,894
Operating profit (loss)		(103,056)		869
Nonoperating revenues (expenses):		7/ 100		105 000
Grants		74,128		105,000
Interest earnings		1,258		1,843
Income from jointly owned gas operations		(20.0(4)		20.125
and maintenance fund		(30,864)		20,135
Other nonoperating revenues		307		7,518
Interest expense Total nonoperating revenue (expense)		(2,472) 42,357		(13,740) 120,756
Income before operating transfers		(60,699)		121,625
Operating transfers:				
Transfers out		(142,000)		(134,400)
Net transfers		(142,000)		(134,400)
Net income (loss)		(202,699)		(12,775)
Net position beginning of year		4,377,293		4,390,068
Net position end of year	\$	4,174,594	\$	4,377,293

Schedules of Cash Flows - Enterprise Fund For the Years Ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Cash received from customers \$	678,182 \$	
Cash paid for employee services	(174,268)	(147,679)
Cash payments to suppliers for goods and services	(369,962)	(324,720)
Net cash provided by operating activities	133,952	108,967
Cash flows from noncapital financing activates:		
Transfers to general fund	(142,000)	(134,400)
Net cash used in noncapital financing activities	(142,000)	(134,400)
Cash flows from capital and related financing activities		
Grant received for repairs / acquisition of capital assets	49,350	105,000
Acquisition of capital assets	(87,979)	(108,128)
Principal paid on debt	(100,000)	(220,417)
Interest paid on debt	(3,636)	(15,316)
Net cash used for financing activities	(142,265)	(238,861)
Cash flows from investing activities		
Sale (Purchase) of short-term investments	(14,807)	77,483
Receipt of other nonoperating proceeds	307	7,518
Interest received on investments	1,258	1,843
Distribution received from Joint Gas Line	60,000	_
Net cash provided by investing activities	46,758	86,844
Net increase (decrease) in cash	(103,555)	(152,499)
Cash, beginning of year	222,091	374,590
Cash, end of year \$	118,536 \$	222,091
Shown on the accompanying balance sheet as		
Current assets: Cash \$	118,536 \$	99,168
Restricted assets: Cash		122,923
Total \$	118,536 \$	222,091

(Continued)

Schedules of Cash Flows - Enterprise Fund (Concluded) For the Years Ended June 30, 2014 and 2013

		2014	2013
Reconciliation of operating income to net cash			
provided by operating activities:			
Operating income	\$	(103,056) \$	869
Adjustments to reconcile operating loss to net cash			
provided by operating activities:			
Depreciation		156,704	146,169
Bad debts		388	1,216
Change in assets and liabilities			
Accounts receivable		6,250	(3,679)
Prepaid expenses		(60)	(2,074)
Accounts payable and accrued liabilities		60,724	(22,454)
Payroll liabilities		891	1,638
Due to other funds		7,276	11,112
Customer deposits	be-10-46-ma	4,835	1,121
Net cash provided by operating activities	\$	133,952 \$	133,918
Supplemental disclosure of noncash capital investing activities:			
Decrease in the investment in the jointly owned gas operations			
and maintenance fund	\$	(30,864) \$	20,135
Total noncash capital investing activities	\$	(30,864) \$	20,135

Schedule of Changes in Restricted Assets For the Year Ended June 30, 2014

		Bond and Interest Redemption	Bond Reserve	Depreciation and Contingency	Total
\$550,000 1976 Water and Gas Revenue Bonds \$100,000 1976 Water and Gas Revenue Bonds		Redemption	Neser ve	Contingency	10141
Balance - July 1, 2013	\$	52,247 \$	23,028 \$	47,648 \$	122,923
Add: Transfers from operating Interest earned	-	16,250 70	900	1,080 46	18,230 138
Total funds available Less:		68,567	23,950	48,774	141,291
Transfers to operating Balance - June 30, 2014	\$	(68,567) - \$	(23,950) - \$	(48,774) - \$	(141,291)

Compensation Paid Aldermen (unaudited) For the Year Ended June 30, 2014

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.

		Compensation
Edwin Britt	\$	6,000
Ben Britton, Jr.		6,000
Lavon Garner		6,000
Billy Mitchell		6,000
Mattie Sampson	••••	6,000
	<u>\$</u>	30,000

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

Huffman & Soignier

Francis I. Huffman, CPA David Ray Soignier, CPA, MBA, CGMA

(A Professional Accounting Corporation)

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Board of Aldermen Town of Newellton Newellton, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund, of Town of Newellton, Louisiana (the Town), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 25, 2015.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Town of Newellton Newellton, Louisiana

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as Finding 2014-01.

The Town's Response to Findings

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

Purpose of this Report

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

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

(A Professional Accounting Corporation)

Huffman & Songnier

March 25, 2015

TOWN OF NEWELLTON

Newellton, Louisiana

Schedule of Findings June 30, 2014

2014-01 Timely Submission of Financial Statements

First Reported 2013

Finding

The Town was not given the audited financial statements of the Town of Newellton and the Town of St. Joseph, Louisiana Jointly Owned Gas Operations and Maintenance Fund (the Joint Gas Line) in a timely manner whereby the Town would have sufficient time to complete their audit and submit it to the Louisiana Legislative Auditor by December 31, 2014 (six months after fiscal year end) as required by Louisiana Revised Statute 24:513.

This year's submission was delayed due to the audit report for the Joint Gas Line not being received by the Town until mid-January 2015 despite it being issued in December as well as other complications dealing with the reporting of the Joint Gas Line.

Recommendation

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

Management's Corrective Action Plan

The Town of Newellton is pursuing legal action to acquire the custody of the records in order to provide the information necessary for the audit of the Joint Gas Line's financial statements in time for its inclusion in the Town's financial statements.

TOWN OF NEWELLTON

Newellton, Louisiana

Summary Status of Prior Year Findings For the Year Ended June 30, 2014

The following is a summary of the status of the prior year audit findings included in the Luffey, Huffman, Ragsdale & Soignier (APAC) audit report dated March 26, 2014 in connection with the audit of the financial statements of the Town of Newellton as of and for the year ended June 30, 2013.

2013-01 Joint Gas Line - Procurement of Financial Data

Finding

The Towns of Newellton and St. Joseph, Louisiana entered into a joint venture in 1954, called the Town of Newellton and the Town of St. Joseph, Louisiana Jointly Owned Gas Operations and Maintenance Fund (the Joint Gas Line) to provide natural gas to the two towns for resale to their citizens and approximately fifteen other customers in the service area. The two towns govern the Joint Gas Line with an agent assigned for operational duties. The Joint Gas Line is to be audited annually and the financial data is incorporated into the Town's financial report. A review of the minutes of the Town of Newellton indicated that no governing duties were conducted by the Mayor during the year ended June 30, 2013 with respect to the Joint Gas Line. The mayors of each town are to meet on a periodic bases to discuss the business of the Joint Gas Line.

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

Status

The financial operations and financial stability of the Joint Gas Line has continued to decline. The Town of Newellton has filed a lawsuit against the Town of St. Joseph, Louisiana, in order to take over the accounting operation of the Joint Gas Line.

2013-02 Local Government Budget Act

Finding

The Town was not in compliance with the Local Budget Act due to mathematical errors resulting in the Town inadvertently adopting a budget that projected a negative fund balance for the General Fund.

Status

Cleared.

TOWN OF NEWELLTON

Newellton, Louisiana

Summary Status of Prior Year Findings For the Year Ended June 30, 2014

2013-03 Timely Submission of Financial Statements

Finding

The Town did not submit its audit report by the statutory due date, which is six months after the agency's fiscal year end, or December 31, 2013. Louisiana Revised Stature (R.S.) 24:513 requires audits of local government agencies to be completed within six months of the close of the government's fiscal year.

Status

The Town experienced a delay in filing its 2014 financial statements as noted in current year Finding 2014-01.