

TOWN OF NEWELLTON, LOUISIANA

**Financial Report
As of and For the Year Ended June 30, 2015**

TOWN OF NEWELLTON, LOUISIANA

Financial Report
As of and For The Year Ended June 30, 2015

TABLE OF CONTENTS

	<u>Statement</u>	<u>Page</u>
	FINANCIAL SECTION	
Independent Auditors' Report		1
Required Supplemental Information (Part A)		
Management's Discussion and Analysis (unaudited)		5-11
Basic Financial Statements		
Government-Wide Financial Statements:		
Statement of Net Position	A	13
Statement of Activities	B	14
Fund Financial Statements:		
Balance Sheet – Governmental Funds	C	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	D	17
Statement of Revenues, Expenditures, and Changes In Fund Balance – Governmental Funds	E	18
Reconciliation of the Statement of Revenues, Expenditures, And Changes in Fund Balance of Governmental Funds to the Statement of Activities	F	19
Statement of Net Position – Proprietary Fund	G	20
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund	H	21
Statement of Cash Flows – Proprietary Fund	I	22-23
Notes to the Financial Statements		24-44

TOWN OF NEWELLTON, LOUISIANA
 Financial Report
 As of and For The Year Ended June 30, 2015

TABLE OF CONTENTS

	<u>Schedule</u>	<u>Page</u>
Required Supplemental Information (Part B)		
Budgetary Comparison Schedule-General Fund (unaudited)	1	47
Schedule of Employer’s Proportionate Share of Net Pension Liability (unaudited)	2	48
Schedule of Employer Contributions (unaudited)	3	49
Other Supplemental Information		
Schedules of Net Position – Enterprise Fund	4	51
Schedules of Revenues, Expenses, and Changes in Net Position - Enterprise Fund	5	52
Schedules of Cash Flows – Enterprise Fund	6	53-54
Schedule of Compensation Paid Aldermen	7	55
Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer	8	56

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

Independent Auditors’ Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		58-59
Schedule of Findings		60-73
Summary Status of Prior Year Findings		74

HUFFMAN & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

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

John Herman, CPA
Lynn Andries, CPA, CGMA
Esther Atteberry, CPA
Lori Woodard, MBA, CPA, CGMA, CITP
Katie Jacola, CPA
Fernando Cordova, CPA
Lesley Engolia, CPA

INDEPENDENT AUDITORS' REPORT

**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, 2015, 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. 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.

**Board of Aldermen
Town of Newellton**

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

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, 2015, 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.

Emphasis of a Matter

As discussed in Note 14 to the financial statements, in fiscal year 2015, the Town adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB No. 68*. Accordingly, a decrease of \$312,194 has been made to the beginning net position on the government-wide financial statements and the Enterprise Fund. Our opinion is not modified with respect to this matter.

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, the defined-benefit pension plans' schedule of employer's net proportionate share of net pension liabilities and the schedule of employer's contribution to pension, and notes; 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.

**Board of Aldermen
Town of Newellton**

Prior-Year Comparative Information

We have previously audited the Town's 2014 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, business-type activities and each major fund in our report dated March 25, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

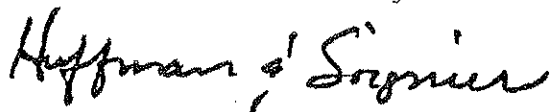
Other Information

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 listed as Other Supplemental Information, Schedules 4 through 8 in the accompanying table of contents, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2016, 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)

July 6, 2016

**REQUIRED SUPPLEMENTAL INFORMATION
(PART A)**

Town of Newellton
Management's Discussion and Analysis (MD&A)
(unaudited)
June 30, 2015

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, 2015. 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 and deferred outflows of the Town of Newellton exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$4,613,065 (net position).
 - ✓ Of this amount \$4,702,990 represented a restriction equal to the net amount invested in land and depreciable assets.
 - ✓ The remaining \$58,164 represents an unrestricted net deficit.

The Town's total net position decreased by \$250,844.

- As of the close of the current fiscal year, the Town of Newellton's governmental fund reported an ending fund balance of \$88,924, an increase of \$13,769 in comparison with the prior year. Of this total amount, \$88,445 is available for spending at the government's discretion (*unassigned fund balance*).
- The Town implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* which requires recognition in the government-wide financial statements of the Town's proportionate share of the net pension liabilities of the state sponsored multi-employer cost-sharing defined benefit retirement plan available to full-time employees and the related deferred outflow of resources for the initial accrual of pension contributions made by the Town prior to the measurement date of the beginning net pension liability. These accounting changes decreased the beginning net position of the Town on July 1, 2014 by \$312,194.

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 47 for the General Fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 16 through 19 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 and deferred outflows exceeded liabilities and deferred inflows by \$4,644,826 at June 30, 2015. The combined net position decreased by \$250,844 between fiscal years 2015 and 2014. Additionally, the Town incurred a \$312,194 decrease related to the implementation of GASB Statements 68 and 71 which is reported as an adjustment to the beginning net position.

Capital assets consisting of land, buildings, machinery and equipment and the water system, sewer system and gas system exceed the Town's unrestricted net position of \$(89,925). Capital assets (\$8,871,437), net of depreciation (\$4,168,447), total \$4,702,990. The Town of Newellton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Condensed Financial Statements

Table 1
Condensed Statement of Net Position
As of June 30, 2015 and 2014

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 107,905	\$ 264,823	\$ 312,435	\$ 433,708	\$ 420,340	\$ 698,531
Capital assets	916,835	951,126	3,786,155	3,912,367	4,702,990	4,863,493
Total assets	<u>1,024,740</u>	<u>1,215,949</u>	<u>4,098,590</u>	<u>4,346,075</u>	<u>5,123,330</u>	<u>5,562,024</u>
Deferred outflows of resource:	37,325	-	26,425	-	63,750	-
Current and other liabilities	18,981	189,668	31,814	32,338	50,795	222,006
Long-term liabilities	212,647	-	239,125	83,474	451,772	83,474
Total liabilities	<u>231,628</u>	<u>189,668</u>	<u>270,939</u>	<u>115,812</u>	<u>502,567</u>	<u>305,480</u>
Deferred inflows of resources	23,236	-	16,451	-	39,687	-
Net investment in capital assets	916,835	951,126	3,786,155	3,912,367	4,702,990	4,863,493
Unrestricted	(109,634)	75,155	51,470	269,215	(58,164)	344,370
Total net position	<u>\$ 807,201</u>	<u>\$ 1,026,281</u>	<u>\$ 3,837,625</u>	<u>\$ 4,181,582</u>	<u>\$ 4,644,826</u>	<u>\$ 5,207,863</u>

Net position of the Town's governmental activities decreased 21.4% to approximately \$807,000. Net position of the Town's business-type activities decreased 8.2% to approximately \$3,838,000. Both of these decreases were impacted by the restatement related to the newly reported net pension liability.

Changes in net position. The Town's total revenue decreased from the prior year by approximately \$257,000 to approximately \$1,067,000 (see Table 2). Approximately 65% of the Town's revenue comes from charges for services, and 17% comes from other general revenues.

The total cost of programs and services decreased from the prior year by approximately \$26,000 or 1.8%. The Town's expenses cover all services performed by its office.

Governmental Activities

Revenues for the Town's governmental activities decreased approximately \$213,000 or 28% largely due to the one-time funding in fiscal year 2014 of a \$255,000 capital grant for street improvements. Total expenses increased by approximately \$3,000 or 0.5%.

Expenses are classified by functions/programs. Public works accounts for approximately 45% or \$262,000, while public safety and general government account for approximately 25% and 30% or \$147,000 and \$175,000, respectively, for the fiscal year 2015.

Table 2
Changes in Net Position
Fiscal Years Ended June 30, 2015 and 2014

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues:						
Charges for services	\$ 75,133	\$ 76,924	\$ 623,644	\$ 659,821	\$ 698,777	\$ 736,745
Operating grants and contributions	38,880	38,880	-	-	38,880	38,880
Capital Grants and contributions	15,746	254,821	24,447	74,128	40,193	328,949
General Revenues:						
Property taxes	59,396	57,109	-	-	59,396	57,109
Sales taxes	49,687	49,499	-	-	49,687	49,499
Other taxes	2,454	2,555	-	-	2,454	2,555
Other general revenues	104,137	139,453	73,346	(29,299)	177,483	110,154
Transfers	202,592	142,000	(202,592)	(142,000)	-	-
Total revenues	<u>548,025</u>	<u>761,241</u>	<u>518,845</u>	<u>562,650</u>	<u>1,066,870</u>	<u>1,323,891</u>
Expenses						
General government	175,462	174,843	-	-	175,462	174,843
Public safety	146,508	166,923	-	-	146,508	166,923
Public works	262,350	239,573	-	-	262,350	239,573
Interest on long-term debt	-	-	-	2,472	-	2,472
Water, sewer, and gas expenses	-	-	733,394	755,888	733,394	755,888
Total expenses	<u>584,320</u>	<u>581,339</u>	<u>733,394</u>	<u>758,360</u>	<u>1,317,714</u>	<u>1,339,699</u>
Increase (decrease) in position	\$ (36,295)	\$ 179,902	\$ (214,549)	\$ (195,710)	\$ (250,844)	\$ (15,808)
Net position - beginning,						
as originally stated	1,026,281	846,379	4,181,583	4,377,293	5,207,864	5,223,672
Restatement	(182,785)	-	(129,409)	-	(312,194)	-
Net position - beginning-restated	<u>843,496</u>	<u>846,379</u>	<u>4,052,174</u>	<u>4,377,293</u>	<u>4,895,670</u>	<u>5,223,672</u>
Net position - end of year	\$ <u>807,201</u>	\$ <u>1,026,281</u>	\$ <u>3,837,625</u>	\$ <u>4,181,583</u>	\$ <u>4,644,826</u>	\$ <u>5,207,864</u>

The related program revenues for fiscal year 2015 directly related to those expenses totaled approximately \$130,000, which resulted in net program expense of approximately \$455,000. 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:

Charges for services is the single largest source of revenue in total and in Business-Type Activities. For Governmental Activities, charges for services includes garbage pickup.

Property tax revenue of \$59,000 and sales taxes of \$50,000 are the single largest general revenue sources for the Town of Newellton.

Business-type activities

Charges for services is the single largest source of revenue and includes charges for water, sewer, and gas in the business-type activities.

Business-type activities decreased the Town of Newellton's net position by approximately \$215,000 for current year operations and another \$129,000 related to the inclusion of past year's pension liability which is being included for the first time in fiscal year 2015's financial statements.

Revenues decreased approximately 7.8% to \$519,000 and expenses of the Town's business-type activities decreased approximately 3.3% to \$733,000.

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 \$88,924, an increase of \$13,769 in comparison with the prior year. Approximately 99.5% of this total amount (\$88,445) constitutes unassigned fund balance, which is available for spending at the Town's discretion. The remainder of fund balance (\$479) 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 11, 2014. There were no budget amendments.

Original budget compared to final budget. The General Fund original budget forecasted a positive fund balance of \$83,355 at year-end. Total revenues were projected at \$397,000. Expenditures were budgeted at \$488,800. Transfers in were budgeted at \$100,000.

Final budget compared to actual results. General fund revenue actual amounts were short of the budget by 13.4% (\$397,000 budget versus \$343,752 actual). Transfers in were in excess of final budget by \$202,592 resulting in a net increase of actual over revised budget of approximately \$102,600. Expenditures exceeded the budget by 9.0% (\$488,800 budget versus \$532,575 expenditures).

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, 2015, amounts to \$4,702,990 (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 consisted of additions of a police vehicle (\$31,557) and streets and drainage (\$28,812). Also, \$26,048 of service equipment were added to the business-type activities during the current fiscal year. In addition, depreciation expense totaled \$243,307.

Table 3 presents capital assets net of depreciation at June 30, 2015 and 2014.

Table 3
Capital Assets
As of June 30, 2015 and 2014

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 1,000	\$ 1,000	\$ 19,650	\$ 19,650	\$ 20,650	\$ 20,650
Buildings	539,644	539,644	-	-	539,644	539,644
Vehicles	338,750	312,183	-	-	338,750	312,183
Furniture and equipment	45,432	46,281	195,473	205,603	240,905	251,884
Signage	8,750	8,750	-	-	8,750	8,750
Water system	-	-	2,736,842	2,710,794	2,736,842	2,710,794
Sewer system	-	-	2,876,473	2,876,473	2,876,473	2,876,473
Gas system	-	-	1,336,605	1,337,455	1,336,605	1,337,455
Streets and drainage	772,819	744,007	-	-	772,819	744,007
Total	1,706,395	1,651,865	7,165,043	7,149,975	8,871,438	8,801,840
Less: accumulated depreciation	(789,560)	(700,739)	(3,378,888)	(3,237,607)	(4,168,448)	(3,938,346)
Total Capital Assets	\$ 916,835	\$ 951,126	\$ 3,786,155	\$ 3,912,368	\$ 4,702,990	\$ 4,863,494

Long-Term Debt. The Town paid off its remaining bonds during fiscal year 2014 and has no other long-term debt except for its net pension liability of \$363,198.

Economic Factors and Next Year's Budgets and Rates

Factors considered in preparing the Town of Newellton's budget for the 2016 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**

TOWN OF NEWELLTON
Newellton, Louisiana
Statement of Net Position
June 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 89,189	\$ 22,237	\$ 111,426
Investments	-	162,514	162,514
Receivables	3,645	65,781	69,426
Due from other governmental units	14,592	-	14,592
Prepaid expenses	479	815	1,294
Capital assets, net	916,835	3,786,155	4,702,990
Investment in jointly owned gas operations and maintenance fund	-	61,088	61,088
Total assets	<u>1,024,740</u>	<u>4,098,590</u>	<u>5,123,330</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on pensions	<u>37,325</u>	<u>26,425</u>	<u>63,750</u>
Total deferred outflows of resources	<u>37,325</u>	<u>26,425</u>	<u>63,750</u>
LIABILITIES			
Accounts payable and accrued expenses	11,239	27,918	39,157
Payroll liabilities	7,742	3,896	11,638
Long-term liabilities			
Due in more than one year			
Deposits held	-	88,574	88,574
Net pension liability	212,647	150,551	363,198
Total liabilities	<u>231,628</u>	<u>270,939</u>	<u>502,567</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on pensions	<u>23,236</u>	<u>16,451</u>	<u>39,687</u>
Total deferred inflows of resources	<u>23,236</u>	<u>16,451</u>	<u>39,687</u>
NET POSITION			
Net investment in capital assets	916,835	3,786,155	4,702,990
Unrestricted (Deficit)	<u>(109,634)</u>	<u>51,470</u>	<u>(58,164)</u>
Total net position	<u>\$ 807,201</u>	<u>\$ 3,837,625</u>	<u>\$ 4,644,826</u>

The accompanying notes are an integral part of this statement.

TOWN OF NEWELLTON
Newellton, Louisiana

Statement of Activities
For the Year Ended June 30, 2015

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Primary government							
Governmental activities							
General government	\$ 175,462	\$ -	\$ -	\$ -	\$ (175,462)	\$ -	\$ (175,462)
Public safety	146,508	-	-	-	(146,508)	-	(146,508)
Public works	262,350	75,133	38,880	15,746	(132,591)	-	(132,591)
Total governmental activities	584,320	75,133	38,880	15,746	(454,561)	-	(454,561)
Business-type activity							
Utility operations	733,394	623,644	-	24,447	-	(85,303)	(85,303)
Total business-type activities	733,394	623,644	-	24,447	-	(85,303)	(85,303)
Total primary government	\$ 1,317,714	\$ 698,777	\$ 38,880	\$ 40,193	(454,561)	(85,303)	(539,864)
General revenues							
Taxes							
Ad valorem taxes					59,396	-	59,396
Sales taxes					49,687	-	49,687
Other taxes					2,454	-	2,454
Video poker					11,106	-	11,106
Licenses and permits					57,902	-	57,902
Fines and forfeitures					32,918	-	32,918
Interest earnings					123	753	876
Other					5,164	11,042	16,206
Gain from jointly owned gas operations and maintenance fund					-	61,088	61,088
Gain (loss) on disposal of capital assets					(3,076)	463	(2,613)
Transfers in (out)					202,592	(202,592)	-
Total general revenues					418,266	(129,246)	289,020
Change in net position					(36,295)	(214,549)	(250,844)
Net position at beginning of year, as originally stated					1,026,281	4,181,583	5,207,864
Restatement					(182,785)	(129,409)	(312,194)
Net position at beginning of year, restated					843,496	4,052,174	4,895,670
NET POSITION AT END OF YEAR					\$ 807,201	\$ 3,837,625	\$ 4,644,826

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

TOWN OF NEWELLTON
Newellton, Louisiana
Governmental Funds
Balance Sheet
June 30, 2015

		<u>Major Fund</u> <u>General</u> <u>Fund</u>
ASSETS		
Cash	\$	89,189
Receivables		
Other receivables		3,645
Due from other governmental units		14,592
Prepaid expenses		479
TOTAL ASSETS	\$	<u>107,905</u>
LIABILITIES AND FUND EQUITY		
Liabilities		
Accounts payable	\$	11,239
Payroll liabilities		7,742
Total liabilities		<u>18,981</u>
Fund equity		
Fund balance		
Nonspendable - prepaid expenses		479
Unassigned		88,445
Total fund balance		<u>88,924</u>
TOTAL LIABILITIES AND FUND EQUITY	\$	<u>107,905</u>

The accompanying notes are an integral part of this statement.

TOWN OF NEWELLTON
 Newellton, Louisiana
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 June 30, 2015

Fund balance - total governmental funds	\$	88,924
<p>Amounts reported for governmental activities are not financial resources and, therefore, are not reported in the governmental funds:</p>		
Governmental capital assets	\$ 1,706,395	
Less: accumulated depreciation	<u>(789,560)</u>	916,835
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
Net pension liability		(212,647)
<p>Deferred outflows for pensions are not reported in the governmental funds but are reported in the government-wide financial statements</p>		
		37,325
<p>Deferred inflows for pensions are not reported in the governmental funds but are reported in the government-wide financial statements</p>		
		(23,236)
Net position of governmental funds	\$	<u><u>807,201</u></u>

The accompanying notes are an integral part of this statement.

TOWN OF NEWELLTON
Newellton, Louisiana
Governmental Funds
Statement of Revenues, Expenditures,
and Changes in Fund Balance
For the Year Ended June 30, 2015

		<u>Major Fund</u>
		<u>General</u>
		<u>Fund</u>
Revenues		
Taxes		
Ad valorem	\$	59,396
Sales		49,687
Charges for services		75,133
Commissions for services		18,451
Licenses and permits		39,451
Intergovernmental		
Federal		15,746
State		13,560
Local		38,880
Fines and forfeitures		32,918
Use of money and property		123
Other revenues		407
Total Revenues		<u>343,752</u>
Expenditures		
Current		
General government		165,012
Public safety-police		113,536
Public safety-fire		320
Public works		193,338
Capital outlay		60,369
Total Expenditures		<u>532,575</u>
Excess (Deficiency) of Revenues over Expenditures		(188,823)
Other Financing Sources / (Uses)		
Transfers in		202,592
Total Other Financing Sources / (Uses)		<u>202,592</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses		13,769
Fund Balance at Beginning of Year		<u>75,155</u>
FUND BALANCE AT END OF YEAR	\$	<u><u>88,924</u></u>

The accompanying notes are an integral part of this statement.

TOWN OF NEWELLTON
Newellton, Louisiana

**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance
of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2015**

Net change in fund balance - total governmental funds	\$	13,769
<p>Amount reported for governmental activities in the statement of activities are different because:</p> <p style="padding-left: 20px;">Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay	\$	60,369
Depreciation expense		(91,584)
		(31,215)
<p>The recognition of pension expense in the Statement of Activities is based on projected benefit payments discounted to actuarial present value and attributed to periods of employee service. Pension expenditures in the fund financial statements are the amounts that were paid during the year.</p>		
		(15,773)
<p>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 disposed of assets that were obsolete.</p>		
Loss on disposal		(3,076)
Change in net position of governmental activities	\$	(36,295)

The accompanying notes are an integral part of this statement.

TOWN OF NEWELLTON
Newellton, Louisiana

Business-type Activities - Proprietary Fund
Statement of Net Position
June 30, 2015

	Major Fund
	Enterprise Fund
ASSETS	
Current assets	
Cash	\$ 22,237
Investments	162,514
Accounts receivable - net	65,781
Prepaid expenses	815
Total current assets	251,347
Capital assets	
Non-depreciable	19,650
Depreciable	7,145,393
Total capital assets	7,165,043
Accumulated depreciation	(3,378,888)
Net capital assets	3,786,155
Other assets	
Investment in jointly owned gas operations and maintenance fund	61,088
Total other assets	61,088
Total assets	4,098,590
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	26,425
Total deferred outflows of resources	26,425
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	27,918
Payroll liabilities	3,896
Total current liabilities	31,814
Noncurrent liabilities	
Customer deposits	88,574
Net pension liability	150,551
Total noncurrent liabilities	239,125
Total liabilities	270,939
DEFERRED INFLOWS OF RESOURCES	
Pension related	16,451
Total deferred inflows of resources	16,451
NET POSITION	
Net investment in capital assets	3,786,155
Unrestricted	51,470
Total net position	\$ 3,837,625

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

TOWN OF NEWELLTON
Newellton, Louisiana
Business Type Activity - Enterprise Fund
Statement of Revenues, Expenses, and Changes in
Net Position
For The Year Ended June 30, 2015

	<u>Major Fund</u> <u>Enterprise Fund</u>
OPERATING REVENUES	
Water sales	\$ 234,761
Gas sales	231,347
Sewerage fees	138,538
Plumbing fees	2,813
Penalties	16,185
Total operating revenues	<u>623,644</u>
OPERATING EXPENSES	
Bad debts	4,567
Computer consultants	3,393
Depreciation	151,724
Dues and subscriptions	1,029
Engineering	2,448
Equipment	15,330
Gas purchases	161,884
Insurance - general	18,950
Legal and audit	53,116
Miscellaneous expenses	4,345
Office supplies	8,396
Postage	3,591
Salaries and related benefits	164,573
Supplies-plant	10,424
Supplies and expenses-gas	15,801
Supplies and expenses-sewer	9,771
Supplies and expenses-water	46,864
Telephone	8,848
Travel and meetings	5,938
Utilities	42,402
Total operating expenses	<u>733,394</u>
Operating income (loss)	(109,750)
NONOPERATING REVENUES (EXPENSES)	
Grants	24,447
Interest earnings	753
Gain on disposition of assets	463
Income from jointly owned gas operation and maintenance fund	61,088
Other nonoperating revenues	11,042
Total nonoperating revenue (expenses)	<u>97,793</u>
Income (loss) before operating transfers	(11,957)
OPERATING TRANSFERS	
Transfers out	<u>(202,592)</u>
Net transfers	<u>(202,592)</u>
Net income (loss)	(214,549)
Net Position beginning of year, as originally stated	4,181,583
Restatement	<u>(129,409)</u>
Net Position beginning of year, restated	<u>4,052,174</u>
Net Position end of year	<u>\$ 3,837,625</u>

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

TOWN OF NEWELLTON
Newellton, Louisiana

Business-type Activity - Enterprise Fund
Statement of Cash Flows
For the Year Ended June 30, 2015

	Major Fund
	Enterprise Fund
Cash flows from operating activities	
Cash received from customers	\$ 612,463
Cash paid for employee services	(165,325)
Cash payments to suppliers for goods and services	(461,405)
Net cash used by operating activities	(14,267)
Cash flows from noncapital financing activities	
Transfers to general fund from the utility fund	(202,592)
Net cash used by noncapital financing activities	(202,592)
Cash flows from capital and related financing activities	
Grant received for acquisition of capital assets	49,225
Acquisition of capital assets	(26,048)
Proceeds from sale of capital assets	1,000
Increase in deferred outflows	(26,425)
Increase in deferred inflows	16,451
Increase in net pension liability	21,142
Net cash provided by financing activities	35,345
Cash flows from investing activities	
Sale of investments	73,420
Receipt of other nonoperating proceeds	11,042
Interest received on investments	753
Net cash provided by investing activities	85,215
Net increase (decrease) in cash	(96,299)
Cash at beginning of year	118,536
Cash at end of year	\$ 22,237

(Continued)

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

TOWN OF NEWELLTON
Newellton, Louisiana

Business-type Activity - Enterprise Fund
Statement of Cash Flows (Concluded)
For the Year Ended June 30, 2015

	<u>Major Fund</u> <u>Enterprise Fund</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ (109,750)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	151,724
Change in assets and liabilities	
Accounts receivable	743
Prepaid expenses	4,145
Accounts payable and accrued liabilities	(48,452)
Payroll liabilities	(752)
Due to other funds	(17,025)
Customer deposits	<u>5,100</u>
Net cash used by operating activities	<u>\$ (14,267)</u>
 Supplemental disclosure of noncash investing, capital, and financing activities	
Increase in the investment of the jointly owned gas operations and maintenance fund	\$ <u>61,088</u>
 Gain on disposal of assets	<u>\$ 463</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2015

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.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2015

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.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2015

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

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2015

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"). Measurable 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 non-operating revenues.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2015

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.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2015

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.
3. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.
4. All legally adopted budgets of the Town are adopted on a basis consistent with GAAP. A budget is adopted for the General Fund and the Special Revenue Fund; encumbrance accounting is not used by the Town.

For the year ended June 30, 2015, the Town adopted a budget for the General Fund on June 11, 2014. The budget was not amended during the year.

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."

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2015

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, 2015.

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System, and additions to / deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2015

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expenditure until then. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town's deferred outflows and deferred inflows are resources related to pensions.

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.

Restricted Net Position

For the government-wide statement of net position, net position is reported as restricted when constraints 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 through 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

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2015

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 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 \$16,601 for the year ended June 30, 2015.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2015

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 \$5,867 has been set up for the year ended June 30, 2015.

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.

H. Equity Investments

The Town has a 50% ownership in a jointly owned gas line (see Note 7) 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.

Note 2 - Expenditures - Budget and Actual

The Town incurred a negative budget variance for expenditures for fiscal year 2015. Total expenditures were budgeted at \$488,800 as compared to actual expenditures of \$532,575 for a negative variance of \$43,775 or 8.96%. The most significant variances were capital projects that was budgeted at \$2,200 as compared to actual expenditures of \$60,369 for a negative \$58,169 variance. Public works was budgeted at \$179,000 as compared to actual expenditures of \$193,338 for a negative \$14,338 variance. These negative variances were offset by positive variances in general government of \$588 and public safety of \$28,144.

Note 3 - Cash and Investments

At June 30, 2015, the Town has cash and investments totaling \$273,941 with \$111,427 in demand deposits and \$162,514 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

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2015

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 \$273,941 and bank balances of \$284,586. Of the bank balance, \$250,000 is covered by federal depository insurance and \$34,586 by pledged securities. Accordingly, the Town had no custodial credit risk related to its deposits at June 30, 2015.

Note 4 - 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 \$69,426 as of June 30, 2015 and are comprised of the following:

	General Fund	Utility Fund	Total
Accounts Receivable			
Franchise Fees	\$ 3,645	\$ -	\$ 3,645
Customer receivables	-	71,648	71,648
Less: Allowance for doubtful accounts	-	(5,867)	(5,867)
Total	\$ 3,645	\$ 65,781	\$ 69,426

Note 5 - Due from Other Governments

At June 30, 2015, the Town had amounts due from other governments totaling \$14,592 all of which relates to the General Fund, where \$5,007 is due from the State of Louisiana for an LCDBG reimbursement grant for street improvements of \$3,325, for beer taxes of \$637 and video poker proceeds of \$1,045. Another \$6,345 is due from the Concordia Parish School Board for sales taxes. Finally, the remaining \$3,240 is due from the Tensas Parish Police Jury for garbage pickup.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2015

Note 6 - Changes in Capital Assets

The following schedule presents changes in capital assets for the year ended June 30, 2015:

	Balance 6/30/2014	Additions	Deletions	Balance 6/30/2015
Governmental Activities				
Nondepreciable assets				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Total nondepreciable assets	1,000	-	-	1,000
Depreciable assets				
Building	53,218	-	-	53,218
Vehicles	312,183	31,557	4,990	338,750
Furniture and equipment	46,281	-	849	45,432
Fire station	486,426	-	-	486,426
Signage	8,750	-	-	8,750
Streets and drainage	744,007	28,812	-	772,819
Total depreciable assets	1,650,865	60,369	5,839	1,705,395
Less accumulated depreciation	(700,739)	(91,583)	(2,762)	(789,560)
Net governmental activities capital assets	\$ 951,126	\$ (31,214)	\$ 3,077	\$ 916,835
Business-type activities				
Nondepreciable assets				
Land	\$ 19,650	\$ -	\$ -	\$ 19,650
	19,650	-	-	19,650
Depreciable assets				
Water system	2,710,794	26,048	-	2,736,842
Sewer system	2,876,473	-	-	2,876,473
Gas system	1,328,027	-	850	1,327,177
Gas pipeline	9,428	-	-	9,428
Service equipment	197,337	-	10,130	187,207
Office equipment	8,266	-	-	8,266
Total depreciable assets	7,130,325	26,048	10,980	7,145,393
Less accumulated depreciation	(3,237,607)	(151,724)	(10,443)	(3,378,888)
Net business-type capital assets	\$ 3,912,368	\$ (125,676)	\$ 537	\$ 3,786,155

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2015

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 \$91,583 was charged to governmental activities as follows: General Government, \$6,366; Public Safety, \$32,652; and Public Works, \$52,565. Depreciation of \$151,724 as of June 30, 2015, 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.

The Town's 50% share of the contributions by partners of \$109,560 was \$54,780, which was for gas consumed during fiscal year 2014. Of this \$54,780, the Town reflected \$53,715 in its fiscal year 2014 report and the remaining \$1,065 in its fiscal year 2015 report, with both amounts being reflected as gas purchases.

Summary financial information for the joint venture at June 30, 2015, and for the year then ended, is as follows:

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2015

Total assets	\$ 152,959
Total liabilities	<u>(30,783)</u>
Total net position	<u>\$ 122,176</u>
Total revenues	\$ 408,284
Total cost of sales	<u>(245,691)</u>
Gross profit	162,593
Operating expenses	<u>(63,583)</u>
Nonoperating revenue	<u>68</u>
Net income (loss)	99,078
Net position, beginning of year	(86,462)
Contributions from Partners	<u>109,560</u>
Net position (deficit), end of year	<u>\$ 122,176</u>

The Joint Gas Line issues an annual publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by visiting the Louisiana Legislative Auditor's website at www.lla.la.gov.

Also, see Note 13 and Note 15.

Note 8 - Interfund Transfers

During fiscal year 2015, the Utility Enterprise Fund transferred \$202,592 to the General Fund to cover the cash short fall in the General Fund.

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.

Note 9 - Ad Valorem Taxes

For the year ended June 30, 2015, ad valorem taxes of 20.75 mills were levied on property with assessed valuations totaling \$2,794,268 for general purposes.

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.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2015

The Town bills and collects its own property taxes using the assessed values determined by the assessor of Tensas Parish. At June 30, 2015, substantially all taxes had been collected.

Note 10 - Pension Plan-Municipal Employees' Retirement System of Louisiana (the System)

Plan Description

The Town of Newellton contributes to the Municipal Employees' Retirement System of Louisiana (System) which is a cost sharing multiple employer defined benefit pension plan. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan A.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System.

Any member of Plan A can retire providing the member meets one of the following criteria:

1. Any age with 25 years or more of creditable service.
2. Age 60 with a minimum of ten or more years of creditable service.
3. Under age 60 with five years of creditable service eligible for disability benefits.
4. Survivor's benefits require five years creditable service at death of member.
5. Any age with 20 years of creditable service, exclusive of military service with an actuarially reduced early benefit.

Generally, the monthly amount of the retirement shall consist of an amount equal to 3% of the employee's monthly average final compensation multiplied by his or her years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. The System also provides death and disability benefits. Benefits are established or amended by state statute.

For the year ended June 30, 2015, the Town of Newellton's total payroll for all employees was \$328,647. Total covered payroll was \$175,117. Covered payroll refers to all compensation paid by the Town of Newellton to active employees covered by the Plan.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810, or by visiting the System's website www.mersla.com.

Contributions

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ended June 30, 2015, the actual employer contribution rate was 19.75% for Plan A, actuarially determined as an amount that, when combined with

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2015

employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations.

Under Plan A, members are required by state statute to contribute 9.50% of their annual covered salary. The contributions are deducted from the employee's wages or salary and remitted by the Town of Newellton to the System monthly. The Town's contributions to the System under Plan A for the year ending June 30, 2015 were \$34,451.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Town reported a liability of \$363,198 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Town of Newellton's proportion of the Net Pension Liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the Town's proportion was 0.141518%, which was an increase of 0.028360% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town of Newellton's recognized pension expense of \$35,066.

At June 30, 2015, the Town of Newellton reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 12,730
Changes in assumption	-	-
Net difference between projected and actual earnings on pension plan investments	-	26,957
Changes in proportion and differences between employer contributions and proportionate share of contributions	29,299	-
Employer contributions subsequent to the measurement date	34,451	-
Total	<u>\$ 63,750</u>	<u>\$ 39,687</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2015

The \$34,451 reported as deferred outflows of resources related to pensions resulting from the Town of Newellton's contributions subsequent to the measurement date will be recognized as a reduction of Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2016	\$ 11,328
2017	\$ (8,424)
2018	\$ (8,425)
2019	\$ (4,867)

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2014, are as follows:

Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.75%, net of investment expense
Projected salary increases	5.75% (3% inflation, 2.75% merit)
Mortality rates	RP-2000 Employee Table for active members RP-2000 Healthy Annuitant Table for healthy annuitants RP-2000 Disabled Lives Mortality Tables for disabled annuitants
Expected remaining service lives	4 years
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The target allocation and best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table:

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2015

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity	50%	2.75%
Public fixed income	15%	0.83%
Alternatives	35%	1.92%
Totals	100%	5.50%
		2.80%
Inflation		2.80%
Expected arithmetic nominal return		8.30%

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the Town of Newellton's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Newellton's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.75%) or one percentage-point higher (8.75%) than the current rate:

	1.0% Decrease (6.75%)	Current Discount Rate (7.75%)	1.0% Increase (8.75%)
Employer's proportionate share of net pension liability	\$504,712	\$363,198	\$242,473

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued Municipal Employees' Retirement System of Louisiana Audit Report at www.mersla.com.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2015

Note 11 - 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 2015 the Town purchased \$154,565 of natural gas from the Joint Gas Line and owed it \$4,381 as of June 30, 2015.

Note 12 - 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 13 - 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.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2015

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. Additionally, the Town of Newellton is requesting that it be reimbursed for expenditures out of the Joint Gas Line account that were improper payments to the benefit of the Town of St. Joseph. Lastly, the Town of Newellton is seeking to be reimbursed for any additional amounts for which the Town of St. Joseph has wrongfully taken from the account. (See Note 15)

On April 30, 2015, the Town of Newellton also filed suit in order to allow it to enter into a separate gas supply contract with the gas supplier. As before, St. Joseph was failing to timely pay the bills to the gas supplier and thus, the contract was in danger of default. Additionally, the Town of St Joseph, made no effort to renegotiate and enter into a gas supply contract which would allow the citizens of Tensas Parish to continue receiving gas. Because of that inaction, the Town of Newellton filed suit requesting that the court allow it to enter into a separate gas supply contract with the gas supplier and also to prohibit the Town of St. Joseph from removing gas from the line for which it has not paid. The court granted that order on April 30, 2015, and since that time, each municipality has entered into separate gas contracts with the gas supplier

Note 14 - Prior Period Adjustment

In June 2012, the Governmental Accounting Standards Board (“GASB”) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, (amending GASB 68) in November 2013. These are new standards that fundamentally change how state and local governments account for the cost of pension benefits in their financial statements, particularly for defined-benefit pension plans, and establishes standards for measuring and recognizing liabilities, and deferred inflows and outflows of resources associated with pension plans of employer governments. These accounting standards are effective concurrently for the Town’s financial statements for the year ending June 30, 2015.

The implementation of these new standards required a restatement of the Town’s July 1, 2014 beginning net position in the government-wide financial statements as follows:

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2015

	Governmental Activities		Proprietary Fund
	Governmental Activities	Business- Type Activities	Enterprise Fund
Net position - originally stated 07/01/14	\$ 1,026,281	\$ 4,181,583	\$ 4,181,583
MERS net pension liability	(182,785)	(129,409)	(129,409)
Net position - restated 07/01/14	\$ 843,496	\$ 4,052,174	\$ 4,052,174

Note 15 - Subsequent Events

Management has evaluated subsequent events through May 24, 2016, the date which the financial statements were available to be issued and determined the following pending subsequent events occurred that requires disclosure:

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

The management of the Joint Gas Line is in the process of being transferred from the Mayor of St Joseph to a fiscal administrator.

**TOWN OF NEWELLTON
Newellton, Louisiana**

**Notes To Financial Statements
As of and For The Year Ended June 30, 2015**

This page intentionally left blank.

**REQUIRED SUPPLEMENTAL INFORMATION
(PART B)**

TOWN OF NEWELLTON

Newellton, Louisiana

General Fund

Budgetary Comparison Schedule (GAAP Basis)

(unaudited)

Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Positive (Negative)
	Original Budget	Final Budget		
Budgetary fund balance at beginning of year	\$ 75,155	\$ 75,155	\$ 75,155	\$ -
Resources (inflows)				
Ad valorem taxes	60,000	60,000	59,396	(604)
Sales and other taxes	58,700	58,700	49,687	(9,013)
Charges for services	120,000	120,000	75,133	(44,867)
License and permits		-		
Franchise revenue	34,300	34,300	18,451	(15,849)
Occupational & other licenses	40,000	40,000	39,451	(549)
Intergovernmental revenue	46,000	46,000	68,186	22,186
Fines and forfeitures	35,000	35,000	32,918	(2,082)
Interest income	300	300	123	(177)
Miscellaneous	2,700	2,700	407	(2,293)
Total revenues	397,000	397,000	343,752	(53,248)
Transfers in	100,000	100,000	202,592	102,592
Total resources (inflows)	497,000	497,000	546,344	49,344
Amounts available for appropriations	572,155	572,155	621,499	49,344
Charges to appropriations (outflows)				
Current:				
General government	165,600	165,600	165,012	588
Public safety				
Police department	141,000	141,000	113,536	27,464
Fire department	1,000	1,000	320	680
Public works	179,000	179,000	193,338	(14,338)
Capital outlay	2,200	2,200	60,369	(58,169)
Total charges to appropriations (outflows)	488,800	488,800	532,575	(43,775)
Budgetary fund balance at end of year	\$ 83,355	\$ 83,355	\$ 88,924	\$ 5,569

Town of Newellton
Schedule of Employer's Proportinate Share of Net Pension Liability
For the year ended June 30, 2015
(Unaudited)

	2015
Employer's proportion of the net pension liability (asset)	0.141518%
Employer's proportionate share of the net pension liability (asset)	\$ 363,198
Employer's covered employee payroll	\$ 175,117
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	207.40%
Plan fiduciary net pension as a percentage of the total pension liability	73.99%

*Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.*

Town of Newellton
Schedule of Employer Contributions
For the year ended June 30, 2015
(Unaudited)

	2015
Contractually required contribution	\$ 34,586
Contributions in relation to contractually required contribution	\$ 34,451
Contribution deficiency (excess)	\$ 135
Employer's covered employee payroll	\$ 175,117
Contributions as a percentage of covered employee payroll	19.67%

*Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
For the year ended June 30, 2015

Change of Benefit Terms include:

The Board is authorized to provide changes in compensation.

Change of Assumptions

There were no changes of benefit assumptions for the year ended June 30, 2015.

OTHER SUPPLEMENTAL INFORMATION

TOWN OF NEWELLTON
Newellton, Louisiana
Schedules of Net Position - Enterprise Fund
June 30, 2015 and 2014

	2015	2014
ASSETS		
Current assets		
Cash	\$ 22,237	\$ 118,536
Investments	162,514	235,934
Accounts receivable - net	65,781	66,525
Due from other governments	-	24,778
Prepaid expenses	815	4,960
Total current assets	251,347	450,733
Capital assets		
Non-depreciable	19,650	19,650
Depreciable	7,145,393	7,130,325
Total capital assets	7,165,043	7,149,975
Accumulated depreciation	(3,378,888)	(3,237,607)
Net capital assets	3,786,155	3,912,368
Other assets		
Investment in jointly owned gas operations and maintenance fund	61,088	-
Total other assets	61,088	-
Total assets	4,098,590	4,363,101
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on pensions	26,425	-
Total deferred outflows of resources	26,425	-
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	27,918	76,371
Payroll liabilities	3,896	4,648
Due to other funds	-	17,025
Total current liabilities	31,814	98,044
Noncurrent liabilities		
Customer deposits and customer prepayments	88,574	83,474
Net pension liability	150,551	-
Total noncurrent liabilities	239,125	83,474
Total liabilities	270,939	181,518
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows on pensions	16,451	-
Total deferred inflows of resources	16,451	-
NET POSITION		
Net investment in capital assets	3,786,155	3,912,368
Unrestricted	51,470	269,215
Total net position	\$ 3,837,625	\$ 4,181,583

TOWN OF NEWELLTON
Newellton, Louisiana

Schedules of Revenues, Expenses, and Changes in
Net Position - Enterprise Fund
For The Years Ended June 30, 2015 and 2014

	2015	2014
Operating revenues:		
Water sales	\$ 234,761	\$ 242,408
Gas sales	231,347	255,486
Sewerage fees	138,538	140,904
Plumbing fees	2,813	4,654
Penalties	16,185	16,369
Total operating revenues	623,644	659,821
Bad debts	4,567	388
Computer consultants	3,393	2,979
Depreciation	151,724	149,715
Dues and subscriptions	1,029	889
Engineering	2,448	3,234
Equipment	15,330	12,756
Gas purchases	161,884	176,153
Insurance - general	18,950	18,616
Legal and audit	53,116	33,265
Miscellaneous expenses	4,345	5,468
Office supplies	8,396	12,970
Postage	3,591	4,588
Salaries and related benefits	164,573	175,159
Supplies-plant	10,424	27,609
Supplies and expenses-gas	15,801	12,089
Supplies and expenses-sewer	9,771	5,643
Supplies and expenses-water	46,864	62,537
Telephone	8,848	9,764
Travel and meetings	5,938	7,273
Utilities	42,402	34,793
Total operating expenses	733,394	755,888
Operating profit (loss)	(109,750)	(96,067)
Nonoperating revenues (expenses):		
Grants	24,447	74,128
Interest earnings	753	1,258
Gain (loss) on disposition of assets	463	-
Income (loss) from jointly owned gas operations and maintenance fund	61,088	(30,864)
Other nonoperating revenues	11,042	307
Interest expense	-	(2,472)
Total nonoperating revenue (expense)	97,793	42,357
Income before operating transfers	(11,957)	(53,710)
Operating transfers:		
Transfers out	(202,592)	(142,000)
Net transfers	(202,592)	(142,000)
Net income (loss)	(214,549)	(195,710)
Net position beginning of year, as originally stated	4,181,583	4,377,293
Restatement	(129,409)	-
Net position beginning of year, restated	4,052,174	4,377,293
Net position end of year	\$ 3,837,625	\$ 4,181,583

TOWN OF NEWELLTON
Newellton, Louisiana

Schedules of Cash Flows - Enterprise Fund
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Cash received from customers	\$ 612,463	\$ 678,182
Cash paid for employee services	(165,325)	(174,268)
Cash payments to suppliers for goods and services	(461,405)	(369,962)
Net cash provided by operating activities	<u>(14,267)</u>	<u>133,952</u>
Cash flows from noncapital financing activities:		
Transfers to general fund	(202,592)	(142,000)
Net cash used in noncapital financing activities	<u>(202,592)</u>	<u>(142,000)</u>
Cash flows from capital and related financing activities		
Grant received for repairs / acquisition of capital assets	49,225	49,350
Acquisition of capital assets	(26,048)	(87,979)
Proceeds from sale of capital assets	1,000	-
Increase in deferred outflows	(26,425)	-
Increase in deferred inflows	16,451	-
Increase in pension liability	21,142	-
Principal paid on debt	-	(100,000)
Interest paid on debt	-	(3,636)
Net cash used for financing activities	<u>35,345</u>	<u>(142,265)</u>
Cash flows from investing activities		
Sale (Purchase) of short-term investments	73,420	(14,807)
Receipt of other nonoperating proceeds	11,042	307
Interest received on investments	753	1,258
Distribution received from Joint Gas Line	-	60,000
Net cash provided by investing activities	<u>85,215</u>	<u>46,758</u>
Net increase (decrease) in cash	(96,299)	(103,555)
Cash at beginning of year	<u>118,536</u>	<u>222,091</u>
Cash at end of year	<u>\$ 22,237</u>	<u>\$ 118,536</u>

(Continued)

TOWN OF NEWELLTON
Newellton, Louisiana

Schedules of Cash Flows - Enterprise Fund (Concluded)
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ (109,750)	\$ (96,067)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	151,724	149,715
Change in assets and liabilities		
Accounts receivable	743	6,638
Prepaid expenses	4,145	(60)
Accounts payable and accrued liabilities	(48,452)	60,724
Payroll liabilities	(752)	891
Due to other funds	(17,025)	7,276
Customer deposits	5,100	4,835
Net cash provided (used) by operating activities	<u>\$ (14,267)</u>	<u>\$ 133,952</u>
Supplemental disclosure of noncash capital investing activities		
Change in the investment in the jointly owned gas operations and maintenance fund	\$ 61,088	\$ (30,864)
Gain on disposal of assets	<u>463</u>	<u>-</u>
Total noncash capital investing activities	<u>\$ 61,551</u>	<u>\$ (30,864)</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Compensation Paid Aldermen
For the Year Ended June 30, 2015

The schedule of compensation paid to Aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of Louisiana Legislature. Compensation of the Aldermen is included in general administration expenditures of the General Fund.

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

Town of Newellton
Schedule of Compensation, Benefits and Other Payments to Agency Head
For the year ended June 30, 2015

Chief Executive Officer: Timothy Turner, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 14,400
Benefits-retirement contributions	\$ 2,844
Conference Travel and Registration Fees	\$ 980
Mileage Reimbursements	\$ 413
Credit Card Transactions-Gas	\$ 211
Credit Card Transactions-Other	\$ 155

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

John Herman, CPA
Lynn Andries, CPA, CGMA
Esther Atteberry, CPA
Lori Woodard, MBA, CPA, CGMA, CITP
Katie Jacola, CPA
Fernando Cordova, CPA
Lesley Engolia, 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, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated July 6, 2016.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings as Findings 2015-01, 2015-05 and 2015-06 to be material weaknesses.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as Findings 2015-02, 2015-03, and 2015-04.

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)

July 6, 2016

**Town of Newellton
Newellton, Louisiana**

**Schedule of Findings
June 30, 2015**

2015-01 Condition of Accounting Records

Criteria or Specific Requirement

Proper internal controls over financial reporting requires that accounting records contain up-to-date, accurate, and complete information to ensure that the financial data can be relied upon to monitor the financial condition of the entity. Financial records should be reviewed timely to supporting documentation to ensure that the transactions are properly recorded and classified in the accounting records.

Conditions Found

The Town's general ledger records are maintained on QuickBooks. The initial set of QuickBooks records was delivered for audit in November 2015. Due to the numerous issues that were noted, the Town was requested to reevaluate its records. A new set of QuickBooks was provided in January 2016. However, despite this extra time, the records still had numerous adjustments needing to be made. A brief recap of those changes for each of the Town's two funds is as follows:

A brief recap of changes to the Balance Sheet line items is as follows:

Cash – The Town originally reported a balance of \$130,619 for its ten bank accounts before net negative adjustments of \$19,191 for a final reported balance of \$111,426, a decrease of 14.7%. This decrease is a result of:

Thirty-six deposits totaling \$23,606.63 were recorded in three different banks when only one deposit truly existed and only one should have been entered into the accounting records;

One deposit for \$1,038.50 recorded for utility customer receipts did not clear the bank and per an inquiry with the bank of the customer bank accounts, never cleared the customer accounts. It is assumed that this deposit was lost.

Twelve outstanding disbursements for \$5,351.70 listed on the bank reconciliations that were duplicate postings or amounts that should have been voided.

**Town of Newellton
Newellton, Louisiana**

**Schedule of Findings
June 30, 2015**

Due to these recording issues, the Town had a collective inflated cash balance for the General Fund and the Utility Fund as follows:

	<u>Monthly Amount</u>	<u>Cumulative Amount</u>
07-31-2014	\$ 50.00	\$ 50.00
08-31-2014	\$1,155.73	\$ 1,205.73
09-30-2014	\$ 301.14	\$ 1,506.87
10-31-2014	\$1,659.54	\$ 3,166.41
11-30-2014	\$2,402.76	\$ 5,569.17
12-31-2014	\$6,780.01	\$12,349.18
01-31-2015	\$ 184.74	\$12,533.92
02-28-2015	\$ 90.95	\$12,624.87
03-31-2015	\$ 768.52	\$13,393.39
04-30-2015	(\$2,026.02)	\$11,367.37
05-31-2015	\$2,817.61	\$14,184.98
06-30-2015	\$5,006.17	\$19,191.15

As a result of these overinflated balances, the Town unknowingly did not have sufficient funds in the bank on four days. Two of those bank charges totaling \$162 were recorded as if they were reimbursable from two customer's insufficient funds checks.

It should also be noted, the Town does not accept cash at Town Hall which does lessen (but not necessarily eliminate) the possibility of the issues noted being of a fraudulent nature.

Investments – The Town originally reported a balance of \$166,094 for its three certificates of deposit before net negative adjustments of \$3,579 for a final reported balance of \$162,514. Adjustments for interest were recorded for \$310 and for the withdrawal of \$3,889 which was used to cover the remaining amount for a vehicle purchase.

Accounts Receivable for Services Provided – The Town originally reported a balance of \$71,388 for its water, gas, sewer and other miscellaneous amounts and net negative adjustments of \$5,607 for a final reported balance of \$65,781.

The Town did not reconcile its receivables per its subsidiary ledger for to the QuickBooks records during any point of the year.

**Town of Newellton
Newellton, Louisiana**

**Schedule of Findings
June 30, 2015**

Other Accounts Receivable – The Town originally reported a balance of \$6,156, before net negative adjustments of \$2,511 for a final reported balance of \$3,645.

The Town had \$322 recorded as a receivable for insufficient funds from customers as of June 30, 2014 and an additional \$1,276 was recorded during fiscal year 2015. The Town had correctly rebilled these customers and collected the funds due. However, when these funds were redeposited, those amounts were credited to accounts receivable for a second time instead of being credited against the existing receivable in the returned check asset account.

Another \$751 decrease is due an incoming check being reflected as revenue for a second time (previously reflected as revenue in FY14 with a related receivable being recorded) instead of being used to reverse the already existing receivable.

The remaining \$162 relates to the Town's own insufficient funds checks discussed previously. This \$162 was reversed out of receivable and charged to Bank Charges.

Due from Other Governments – The Town had a \$24,777.80 receivable in the Utility Fund as June 30, 2014 due from the State. These funds were received in FY15 and should have been used to eliminate this receivable. Instead, the check was recorded as revenue which had to be reversed. Unrelated, other minor adjustments were made within the General Fund.

Prepaid Expenses were not recorded. Typically, these amounts are recorded after the end of the year by the consulting CPA. The final reported balance is \$1,295 for both funds.

Due to Utility Fund / Due to General Fund – the balances between funds was originally reflected at \$19,791.90 before adjustments of \$50,258.70 for a final reported balance of \$70,050.60 before decreasing the balance to \$0.00 due to the General Fund's inability to repay this amount. The two most significant entries were for \$13,066.00 and \$18,639.50. The \$13,066.00 was to move a check out of the Utility Fund for a General Fund expense. The \$18,639.50 was to move a deposit that was made into the General Fund that should have been reflected in the Utility Fund.

Capital assets of \$15,098 were not recorded in the Utility Fund but had been expensed.

**Town of Newellton
Newellton, Louisiana**

**Schedule of Findings
June 30, 2015**

Accounts Payable – The Town originally reported a balance of \$18,535 before adjustments of \$20,621.78 for a final reported balance of \$39,157.72 largely due to unrecorded invoices.

Customer deposits – The Town originally reported a balance of \$91,301 before adjustment of \$2,727 for a final reported balance of \$88,574. Similar to the receivables for services provided, the Town did not reconcile its customer deposits subsidiary account to its QuickBooks balance.

Possible asserted effect (cause and effect)

Cause: The Town employs an employee that is in charge of the financial activity that does not possess the necessary skills needed to correctly monitor QuickBooks.

Effect: The Town is not able to produce reliable financial information to monitor the Town's financial condition nor make sound financial decisions during the year.

Recommendations to Prevent Future Occurrences

The Town employs a consulting CPA firm. However, there is no agreement with the consulting CPA firm as to what the activities are to be performed. During fiscal year 2015, the Town employed the consulting CPA firm to record its payroll quarterly reports, monitor its quarterly retirement reports, prepare its budget but did not request assistance on reviewing its QuickBooks records. The Board of Aldermen should revisit the need for more accounting guidance to ensure that the Board of Aldermen and management have accurate financial information from which to make decisions.

We further recommend that the Town employ an individual that is capable of either learning how to use QuickBooks or already understands QuickBooks and related bookkeeping activities. This person should work closely with the consulting CPA firm in gaining a full understanding of the activities that need to occur on a monthly basis to produce accurate financial records and reporting.

We also recommend that end-of-month reconciled bank statements be provided to the Board of Aldermen for review at the next month's Board of Aldermen meeting. Since deposits are supposed to be made daily, the Town should review the bank reconciliation and question any deposit that is outstanding for more than one business day. Outstanding disbursements can take more time to clear but disbursements made to ongoing vendors that are outstanding for more than a month should also be questioned as to the validity of the original transaction.

Finally, we recommend that all certificates of deposit transactions should be recorded at the time the transaction occurs. Customer accounts receivable and

**Town of Newellton
Newellton, Louisiana**

**Schedule of Findings
June 30, 2015**

customer meter deposits should also be reconciled between the subsidiary ledger and the QuickBooks balances. Receipts for other receivables should be recorded against that receivable to ensure that revenues and receivables are appropriately reflected. Receipts and disbursements should be recorded in the appropriate fund to ensure that each fund is accurately reporting its activities and so management can administer its fiduciary duties appropriately. Purchases of new equipment or major and significant improvements to current equipment should be recorded as a capital assets in the Utility Fund and as a capital expenditure in the General Fund. Invoices should be reflected in the period that the service was provided to ensure that an appropriate reality is reflected in the reporting period, again, so the Board of Aldermen and management can respond appropriately

Response

We discharged the employee from the Town on May 13, 2016. We will direct our consulting CPA firm to review QuickBooks for FY16 in preparing for the upcoming audit of those records and to assist in reviewing our records until we are comfortable with the training of the Utility Clerk who is being promoted into the Town Clerk position.

2015-02 Inappropriate Related Party Transactions

Criteria or Specific Requirement

The Town provides water, gas, sewer and other miscellaneous services to the residents of the Town on a 16th to 15th time period. The Town bills for these services towards the end of each month which are due by the 10th of the following month. If payment is not made by the 10th of the month, a late charge is applied. If payment is not made by the 15th of the month, then cutoff procedures are implemented. When the services are physically discontinued, a \$20 charge for water and a \$40 charge for gas is assessed against the account and services are not reconnected until payment is made. If services to a customer are not cutoff for nonpayment, then this action could constitute a loan which is in violation of Article VII, Section 14 of the Louisiana Constitution.

Condition Found

During our review of receivables, we noted that the Mayor and two members of his family were not current on their billings but were also not cutoff. For the period of July 1, 2014 to March 31, 2016, we noted the following exceptions to the cutoff policy:

**Town of Newellton
Newellton, Louisiana**

**Schedule of Findings
June 30, 2015**

Mayor

Billing Deemed Late	Date Paid	Number of Days Past Due	Amount Due before payment
08-15-2014	08-26-2014	12	\$109.85
10-15-2014	10-21-2014	7	\$117.03
11-15-2014	12-01-2014	17	\$136.41
12-15-2014	12-23-2014	9	\$133.29
01-15-2015	02-02-2015	19	\$120.55
02-15-2015	02-25-2015	11	\$173.55
03-15-2015	04-01-2015	18	\$142.87
04-15-2015	05-05-2015	21	\$298.37
05-15-2015	05-25-2015	11	\$136.41
06-15-2015	06-23-2015	9	\$162.63
07-15-2015	08-03-2015	20	\$319.69
08-15-2015	01-15-2016	154	\$901.92
02-15-2016	02-22-2016	8	\$155.95
03-15-2016	03-31-2016	17	\$159.87

No payments were made on this account from August 3, 2015 to November 6, 2015. Monthly billings from July 1, 2014 to March 31, 2016, ranged from \$106.39 to \$221.99.

Family Member No 1

Billing Deemed Late	Date Paid	Number of Days Past Due	Amount Due before payment
10-15-2014	10-27-2014	13	\$79.45
11-15-2014	12-04-2014	20	\$168.81
01-15-2015	02-09-2015	26	\$301.24
02-15-2015	04-10-2015	55	\$501.80
03-15-2015	04-10-2015	27	\$501.80
04-15-2015	04-22-2015	8	\$251.80
06-15-2015	07-02-2015	18	\$134.74
12-15-2015	12-22-2015	8	\$73.44

The monthly billings ranged from \$72.23 to \$174.66 on this account.

**Town of Newellton
Newellton, Louisiana**

**Schedule of Findings
June 30, 2015**

Family Member No 2

Billing Deemed Late	Date Paid	Number of Days Past Due	Amount Due before payment
05-15-2015	10-15-2015	153	\$113.97

It is important to note that Family Member #2 did make payments during the 153 day period. The monthly billing ranged from \$72.19 to \$80.19 and there were three \$100 payments before the final \$113.00 payment was made to get the account into current status. Typically, there were two billings in receivable at any time during these 153 days.

Additionally, the Mayor used his authority to circumvent the cutoff policy of the Town where a customer account that is not paid by the 15th of the following month of services is charged a late fee.

It was also noted during our testwork that three of nine customers that merited being cutoff for nonpayment of charges for services were not cutoff for which no explanation could be given. All of these customers did pay their bill, the latest being within eight days following the 15th of the month.

Possible asserted effect (cause and effect)

Cause: The Mayor exerts complete control over the cutoff list by being able to override the control that is in place to ensure the collectability of receivables or if ultimately uncollectible, mitigate the loss of providing more services for which the Town could end up not being compensated.

Effect: The delay in payments constitutes an extension of credit from the Town.

By providing more favorable collection terms than what is provided to other citizens, the credibility of the government, including its employees, is tarnished / diminished and leads to an image of distrust. If left unchecked, it will ultimately lead to collectability issues on a progressively increasing level to the point of impacting cash flows and the financial stability of the Town.

Recommendations to Prevent Future Occurrences

The Town's cutoff procedures should be instigated following the 15th of the month for all customers with an outstanding balance. The cutoff listing should continue to be marked in order to indicate who has been cutoff. For anyone that is not cutoff, a short memo should be attached to the cutoff listing which discusses the reason for not cutting the services to the customer, the amount due, and the estimated date of collection of the balance. A blank space should be left for the Utility Clerk to

**Town of Newellton
Newellton, Louisiana**

**Schedule of Findings
June 30, 2015**

stamp the date of collection and the amount. The Mayor and two Board of Aldermen should approve of the extension of time and the customer should also sign the memo. If the amount due is not paid by the agreed-upon date, then services should be discontinued immediately and cutoff charges applied to the account. However, such departures from the cutoff procedures should be rare.

Finally, a copy of the cutoff list should be mailed to each of the Board of Aldermen by the 20th of each month as well as any extension of services memos so that all those charged with governance are aware of the current status of this issue.

Response

No response has been provided by the Town.

2015-03

**Late Submission of Audit Report to the Louisiana Legislative Auditor
First Reported 2013**

Criteria or Specific Requirement

Louisiana Revised Statute 24:513A (5)(a)(i) requires that "...audits shall be completed within six months of the close of the entity's fiscal year." The Town's audit report should be submitted to the Louisiana Legislative Auditor by December 31st of each year.

Condition Found

The Town's audit report for the fiscal year ending June 30, 2015 was not completed within the six month deadline as required by Louisiana Revised Statute 24:513A (a)(5)(i).

Possible asserted effect (cause and effect)

Cause: This year's submission was delayed due to the problems previously cited above related to the accounting records where the final set of QuickBooks records was available until January of 2016.

It should be noted that fiscal year 2013 submission of the Town's financial statements was delayed due to the late filing of the Joint Gas Line audit. The fiscal year 2015 Joint Gas Line audit was released on April 13, 2016 but was not the reason for the Town's lateness in this fiscal year.

Effect: Management did not comply with the requirements of Louisiana Revised Statute 24:513A (a)(5)(i).

**Town of Newellton
Newellton, Louisiana**

**Schedule of Findings
June 30, 2015**

Recommendations to Prevent Future Occurrences

The Town should have its financial records available for audit by July 31 of each year.

Response

With the changes that are being made to our accounting operation, we expect to be in significantly better situation than we were in this audit. However, given that we are already in May, we may not be able to have our records available for audit by July 31, 2016 but we will work towards providing records available for audit as quickly as possible with the assistance of our retired Town Clerk and our consulting CPA firm.

2015-04 Violations of Louisiana Local Government Budget Act

Criteria or Specific Requirement

Upon completion of a proposed budget, a governmental entity shall publish in its official journal, the date, time and place of the public hearing. Louisiana Revised Statute 39:1307B requires that "The notice shall be published at least ten days prior to the date of the first hearing."

Louisiana Revised Statute 39:1311A (2) states that the budget shall be amended when "total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more."

Condition Found

The Town was in violation of the Local Budget Act due to:

its failure to publish the notice of the public hearing within ten days (June 7, 2015 publication versus a June 11, 2015 adoption date is only 4 days later); and

its failure to amend its budget when actual expenditures exceeded budgeted expenditures by 5%. During the budget adoption of the fiscal year 2016 budget, the ten month actual expenditures for fiscal year 2015 were reported at \$566,239 for a 15.8% budget variance as compared to the original and final budget expenditures of \$488,800. The Town's final actual expenditures are reflected at \$546,344 for an 8.96% budget variance.

**Town of Newellton
Newellton, Louisiana**

**Schedule of Findings
June 30, 2015**

Possible asserted effect (cause and effect)

Causes: A new town clerk was unaware that the notice had to be published ten days prior to the first public hearing.

The Town originally believed that it was in compliance with this requirement as its unadjusted expenditures and other uses totaled \$507,720, a variance of \$18,920, or 3.8%. However, due to the inaccuracies in the Town's financial records, significant adjustments were recorded which resulted in the Town exceeding the 5% barrier.

Effects: Management did not comply with the requirements of Louisiana Revised Statute 39:1307 nor 39:1311A (2)

Recommendations to Prevent Future Occurrences

Management should ensure that the required time between the notification and the first public hearing is ten days or more.

Management should also maintain accurate financial records at all times so that they understand the ongoing financial status of the Town and in doing so, will know when it should revise its current budget.

Response

We will inform personnel of the ten day requirement to ensure compliance with R.S. 1307. As previously cited, we have changed the Town's personnel involved in financial reporting so that we know what our financial status is. We will revise our budget when we negatively exceed 5% of our revenues and / or expenditures to ensure compliance with R.S. 1311A(2).

2015-05

Possible Payroll Irregularity

Criteria or Specific Requirement

The Board of Aldermen approves all hiring and terminations of employees as well as changes in compensation for employees. On June 26, 2014, the Board of Aldermen agreed to raise the compensation from \$19,200 to \$24,000 for the employee that was transferring from Utility Clerk to Town Clerk once her probationary status ended which would be determined by the Board of Aldermen. The previous Town Clerk had retired after twenty-five years of service so it was understood that there would be a learning curve involved during this change.

**Town of Newellton
Newellton, Louisiana**

**Schedule of Findings
June 30, 2015**

The probationary status was discussed by the Board of Aldermen as recently as the February 2016 meeting but was never ended given concerns that some members of the Board of Aldermen had.

Condition Found

Despite the raise being conditional and the probationary status was never removed, effective with the August 21, 2014 payroll, the Town Clerk's salary was adjusted to \$24,000 per year. This increase resulted in extra compensation of \$4,246 for fiscal year 2015 (23 payrolls) and another \$4,246 for fiscal year 2016 (also 23 payrolls) before she was terminated effective with the May 13, 2016 payroll for not improving to the level required for the Town clerk position. Given that the Mayor, all members of the Board of Aldermen and the Town Clerk, who records and prepares all minutes of Board of Aldermen meetings, were present at these meetings, there should not have been any issue left unclear about the timing of the raise.

Possible asserted effect (cause and effect)

Cause: At some point before the August 21, 2014 payroll, the Mayor and the Town Clerk initiated the payroll increase contrary to what the Board of Aldermen had approved.

Effect: Due to this expenditure being made, the Town incurred an unauthorized \$8,492 disbursement of funds

Recommendations to Prevent Future Occurrences

We recommend that the Board of Aldermen contact its legal representative to consider legal action against the parties involved for the repayment of the \$8,492 in unauthorized pay.

Response

No response has been provided by the Town.

2015-06

Credit Card Activity

Criteria or Specific Requirement

Given the various problems encountered with other areas of accounting, we requested the supporting documents for all credit card transactions. Of the one hundred fourteen transactions, sixty-one were charged to the General Fund totaling \$3,968.84 and the remaining fifty-three transactions totaling \$6,297.40, were charged to the Enterprise Fund. The Town has three credit cards, one that was used by the previous Town Clerk prior to her retirement at the end of July 2014

**Town of Newellton
Newellton, Louisiana**

**Schedule of Findings
June 30, 2015**

who had fifteen (15) transactions totaling \$1,396.01; another used by the Mayor who had forty-five (45) transactions totaling \$3,096.21; and the manager of the Utilities Department who had fifty-four (54) transactions totaling \$5,774.02.

Conditions Found

A recap of the transactions was produced from each of the credit card statements which resulted in the table below. As reflected in this table, \$6,297 of the \$10,266 transactions (61%) did not have supporting documentation for the activity reflected on the statements.

	General Fund		Utility Fund		Total		
	Receipt	No	Receipt	No	Receipt	No	All
	Observed	Receipt	Observed	Receipt	Observed	Receipt	Activity
Retired Town Clerk							
Dollars	\$ 798	\$ -	\$ 598	\$ -	\$ 1,396	\$ -	\$ 1,396
Transactions	7	0	8	0	15	0	15
Mayor							
Dollars	1,015	2,081	-	-	1,015	2,081	3,096
Transactions	20	25	-	-	20	25	45
Utilities Manager							
Dollars	139	1,261	1,419	2,955	1,558	4,216	5,774
Transactions	1	6	25	22	26	28	54
Total							
Dollars	\$ 1,952	\$ 3,342	\$ 2,017	\$ 2,955	\$ 3,969	\$ 6,297	\$ 10,266
Transactions	28	31	33	22	61	53	114

Forty-two of the fifty-three missing receipts (\$5,932 of the \$6,297) were for vendors that the Town routinely conducts business. Of the \$5,932, a substantial portion (\$4,216) was incurred by the Utilities Department manager. The manager stated that he turned in all receipts throughout the year to either of the two Town Clerks employed during the year (one retired in July of 2014). All of the transactions that were turned in to the retired town clerk were attached to the statement. Based on the manager's favorable prior history with the Town and the poor order of the accounting records in the current year, his assertion appears logical. The remaining \$1,716 of the \$5,932 was incurred by the Mayor for what appears to be routine and expected transactions.

**Town of Newellton
Newellton, Louisiana**

**Schedule of Findings
June 30, 2015**

Another \$211 of the \$6,297 were for five gas charges for the Mayor. The only gas purchases that are made by the Town are typically for the vehicles in the Police and Public Works Departments, both in the General Fund and the vehicles in the Enterprise Fund. These purchases are charged at the vendor's place of business and are billed to the Town on a monthly basis. For travel in a non-public vehicle, mileage is reimbursed at the standard IRS rate in effect at the time of travel.

The remaining six missing receipts were also on the Mayor's credit card totaling \$154 of the \$6,297 were paid to three internet vendors with whom the Town has not conducted business in the past appear to relate to travel deals for travel outside of the State of Louisiana. Town personnel are not known to have traveled outside of the State in the past.

Possible asserted effect (cause and effect)

Cause: The lack of training or due diligence of the new Town Clerk resulted in transactions being lost, misplaced or destroyed. It is not known whether the Mayor's intentions were due to an error of using the wrong credit card for the \$211 in gas charges and the \$154 in website charges or if it was intentional. If the intent is determined to be a factor, then there could be a violation of Louisiana Revised Statute 42:1117 regarding illegal payments which states: "*No public servant or other person shall give, pay, loan transfer, or deliver or offer to give, loan, transfer, or deliver, directly or indirectly, to any public servant or other person anything of economic value which such public servant or other person would be prohibited from receiving by any provision of this Part.*" However, even if the intent was not to defraud the Town and is, in fact, an error on his part, the Mayor is still obligated to repay those funds.

Effect: Due to the failure in being able to provide complete documentation for expenditures totaling \$6,297 (\$3,342 in the General Fund and \$2,955 in the Enterprise Fund), the Town is unable to totally document these disbursements as being proper even though most appear to be reflected appropriately. Further, eleven of the transactions appear to be of questionable activities that could require repayment by the Mayor.

Recommendations to Prevent Future Occurrences

We recommend that the Mayor provide documentation to the Town for the \$365 (\$211 of gas purchases and \$154 for vendors with whom the Town has not conducted business with previously) or provide reimbursement for those charges. We also recommend that all credit card statements be reviewed each month by a member or members of the Town Council. For each transaction listed on the credit card statement, the vendor receipt reflecting the items purchased should be attached. For any transactions that are not supported by a vendor receipt or for any

**Town of Newellton
Newellton, Louisiana**

**Schedule of Findings
June 30, 2015**

transaction that is not an obligation of the Town, reimbursement should be made to the Town. The reimbursement should be noted on the credit card statement and a copy of the deposit slip should be attached. The reimbursement should be the only item reflected on the deposit slip to ensure ease of review.

Response

No response has been provided by the Town.

TOWN OF NEWELLTON
Newellton, Louisiana

Summary Status of Prior Year Findings
For the Year Ended June 30, 2015

The following is a summary of the status of the prior year audit findings included in the Huffman & Soignier (APAC) audit report dated March 25, 2015 in connection with the audit of the financial statements of the Town of Newellton as of and for the year ended June 30, 2014.

2014-01 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, 2014. Louisiana Revised Statute (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 2015 financial statements as noted in current year Finding 2015-03.