

TOWN OF NEWELLTON, LOUISIANA

**Financial Report
As of and For the Year Ended June 30, 2018**

TOWN OF NEWELLTON, LOUISIANA

**Financial Report
As of and For The Year Ended June 30, 2018**

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REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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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, 2018, 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.

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

**Board of Aldermen
Town of Newellton**

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town as of June 30, 2018, 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.

Substantial Doubt about the Town's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Town of Newellton, will continue as a going concern. As discussed in Note 13 to the financial statements, the Town has experienced operating deficits averaging more than \$188,000 per year in the General Fund and \$45,000 in the Enterprise Fund. Management's evaluation of the events and conditions and management's plans regarding those matters also are described in Note 13. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Other Matters

Required Supplementary Information (Part A and Part B)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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.

Prior-Year Comparative Information

We have previously audited the Town's 2017 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 August 30, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Board of Aldermen
Town of Newellton**

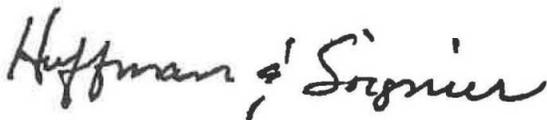
Other Information

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 supplementary information listed as Other Supplementary 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 supplementary 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 June 5, 2019, 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)

June 5, 2019

**REQUIRED SUPPLEMENTARY INFORMATION
(PART A)**

**Town of Newellton
Newellton, Louisiana**

**Management's Discussion and Analysis
For the Year Ended June 30, 2018
(Unaudited)**

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, 2018. 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 \$3,780,582 (net position).
 - ✓ Of this amount \$4,015,768 represented a restriction equal to the net amount invested in land and depreciable assets.
 - ✓ The remaining \$235,186 represents an unrestricted net deficit.
 - ✓ The Town's total net position decreased by \$301,250.
- As of the close of the current fiscal year, the Town of Newellton's governmental fund reported an ending fund balance of \$4,506, a decrease of \$25,257 in comparison with the prior year. Of this total amount, (\$5,820) is available for spending at the government's discretion (*unassigned fund balance*). However, as a deficit, this number represents an amount that must be made up before the Town has a discretionary amount to spend.

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 supplemental 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, deferred outflows, liabilities, and deferred inflows with the difference between these items being 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.

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Newellton, Louisiana**

**Management's Discussion and Analysis
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(Unaudited)**

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.

**Town of Newellton
Newellton, Louisiana**

**Management's Discussion and Analysis
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(Unaudited)**

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 supplemental information concerning the Town of Newellton's compliance with budgets for its major governmental fund.

Government-wide Financial Analysis.

The statement of net position and the statement of activities are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The statement of net position presents financial information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes in net position. Increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. In the case of the Town of Newellton, assets and deferred outflows exceeded liabilities and deferred inflows by \$3,780,582 at June 30, 2018. The combined net position decreased by \$301,250 between fiscal years 2018 and 2017.

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 (\$235,186). Capital assets (\$8,850,836), net of depreciation (\$4,835,068), total \$4,015,768. The Town of Newellton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The statement of net position and statement of activities reflect the Town's governmental activities (e.g., its basic service), such as general government, public safety, and public works. Property

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Newellton, Louisiana**

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(Unaudited)**

taxes, sales taxes, and state and federal grants finance most of these activities. Our analysis below focuses on the summary of net position (Table 1) and changes in net position (Table 2) of the Town's governmental and business-type activities and are as follows:

**Table 1
Condensed Statement of Net Position
As of June 30, 2018 and 2017**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 25,762	\$ 81,559	\$ 184,887	\$ 253,627	\$ 210,649	\$ 335,186
Capital assets	658,420	741,725	3,357,348	3,499,657	4,015,768	4,241,382
Total assets	<u>684,182</u>	<u>823,284</u>	<u>3,542,235</u>	<u>3,753,284</u>	<u>4,226,417</u>	<u>4,576,568</u>
Deferred outflows of resources	<u>95,371</u>	<u>74,523</u>	<u>86,422</u>	<u>66,452</u>	<u>181,793</u>	<u>140,975</u>
Current and other liabilities	21,256	51,795	39,364	48,679	60,620	100,474
Long-term liabilities	238,550	200,849	305,323	265,168	543,873	466,017
Total liabilities	<u>259,806</u>	<u>252,644</u>	<u>344,687</u>	<u>313,847</u>	<u>604,493</u>	<u>566,491</u>
Deferred inflows of resources	<u>12,137</u>	<u>36,591</u>	<u>10,998</u>	<u>32,628</u>	<u>23,135</u>	<u>69,219</u>
Net investment in capital assets	658,420	741,725	3,357,348	3,499,657	4,015,768	4,241,382
Unrestricted	<u>(150,810)</u>	<u>(133,153)</u>	<u>(84,376)</u>	<u>(26,396)</u>	<u>(235,186)</u>	<u>(159,549)</u>
Total net position	<u>\$ 507,610</u>	<u>\$ 608,572</u>	<u>\$ 3,272,972</u>	<u>\$ 3,473,261</u>	<u>\$ 3,780,582</u>	<u>\$ 4,081,833</u>

The net position of the Town's governmental activities decreased 16.6% to approximately \$508,000. Net position of the Town's business-type activities decreased 5.8% to approximately \$3,273,000.

Changes in net position. The Town's total revenue decreased from the prior year by approximately \$4,000 to approximately \$840,000 (see Table 2 below). Approximately 78% of the Town's revenue comes from charges for services, and 22% comes from other general revenues.

The total cost of programs and services increased from the prior year by approximately \$12,500.

Governmental Activities

Revenues and transfers for the Town's governmental activities increased approximately \$29,000 or 6.7% with the most significant changes being limited to the \$12,000 increase in ad valorem taxes and another \$7,200 in sales taxes. Total expenses increased by approximately \$26,000 or 4.8%. Expenses are classified by functions/programs. Public works accounts for approximately 44% or

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Newellton, Louisiana**

**Management's Discussion and Analysis
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\$251,000, while general government and public safety account for approximately 28% and 27% or \$163,000 and \$153,000, respectively, for the fiscal year 2018.

Table 2
Changes in Net Position
Fiscal Years Ended June 30, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues:						
Charges for services	\$ 82,983	\$ 87,900	\$ 568,836	\$ 554,379	\$ 651,819	\$ 642,279
Operating grants and contributions	3,541	19,440	-	5,751	3,541	25,191
General Revenues:						
Property taxes	71,297	58,916	-	-	71,297	58,916
Sales taxes	58,181	50,990	-	-	58,181	50,990
Other taxes	1,809	2,212	-	-	1,809	2,212
Other general revenues	67,945	67,261	(14,781)	(3,128)	53,164	64,133
Transfers	180,000	149,875	(180,000)	(149,875)	-	-
Total revenues	465,757	436,594	374,055	407,127	839,812	843,721
Expenses						
General government	162,718	177,126	-	-	162,718	177,126
Public safety	152,820	151,632	-	-	152,820	151,632
Public works	251,180	212,144	-	-	251,180	212,144
Water, sewer, and gas expenses	-	-	574,344	587,684	574,344	587,684
Total expenses	566,718	540,902	574,344	587,684	1,141,062	1,128,586
Increase (decrease) in position	\$ (100,961)	\$ (104,308)	\$ (200,289)	\$ (180,557)	\$ (301,250)	\$ (284,865)
Net position - beginning of year	608,571	712,880	3,473,261	3,653,818	4,081,832	4,366,698
Net position - end of year	\$ 507,610	\$ 608,572	\$ 3,272,972	\$ 3,473,261	\$ 3,780,582	\$ 4,081,833

Program revenues for fiscal year 2018 directly related to those expenses totaled approximately \$87,000, which resulted in net program expense of approximately \$480,000. 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 accounts for \$83,000. For Governmental Activities, charges for services includes garbage pickup.

Property tax revenue of \$71,000 and sales taxes of \$58,000 are the single largest general revenue sources for the Town of Newellton.

**Town of Newellton
Newellton, Louisiana**

**Management's Discussion and Analysis
For the Year Ended June 30, 2018
(Unaudited)**

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 \$200,000 for current year operations.

Revenues decreased approximately \$33,000 (8%) to \$374,000 and expenses of the Town's business-type activities decreased approximately \$13,000 (2.3%) to \$574,000.

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, unassigned 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 \$4,506, a decrease of \$25,257 in comparison with the prior year. Of this \$4,506, there is an unassigned fund deficit of \$5,820. The remainder of fund balance is a positive \$10,326 that 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 July 12, 2017. There were no budget amendments.

Original budget compared to final budget. The General Fund original budget forecasted a positive fund balance of \$2,055 at year-end. Total revenues were projected at \$312,205. Expenditures were budgeted at \$460,150. Transfers in were budgeted at \$150,000. There were no amendments to the budget during the year.

Final budget compared to actual results. General fund revenue actual amounts were less than the final budget by 9.6% (\$312,205 budget versus \$282,247 actual). Transfers in of an additional

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Newellton, Louisiana**

**Management's Discussion and Analysis
For the Year Ended June 30, 2018
(Unaudited)**

\$30,000 offset this shortage and resulted in a \$42 positive variance of final budget of \$462,205 versus actual of \$462,247 for total resources. However, there was a negative \$27,354 variance for expenditures where actual expenditures were more than budgeted by 5.9% (\$460,150 budget versus \$487,504 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, 2018, amounts to \$4,015,768 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery, vehicles and equipment (See Table 3). There were no additions to capital assets in the current year. In addition, depreciation expense totaled \$225,614. Table 3 presents capital assets net of depreciation at June 30, 2018 and 2017.

**Table 3
Capital Assets
As of June 30, 2018 and 2017**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,000	\$ 1,000	\$ 19,650	\$ 19,650	\$ 20,650	\$ 20,650
Buildings	539,644	539,644	-	-	539,644	539,644
Vehicles	335,090	335,090	-	-	335,090	335,090
Furniture and equipment	41,471	41,471	182,493	182,493	223,964	223,964
Signage	8,750	8,750	-	-	8,750	8,750
Water system	-	-	2,736,842	2,736,842	2,736,842	2,736,842
Sewer system	-	-	2,876,473	2,876,473	2,876,473	2,876,473
Gas system	-	-	1,336,605	1,336,605	1,336,605	1,336,605
Streets and drainage	772,818	772,818	-	-	772,818	772,818
Total	1,698,773	1,698,773	7,152,063	7,152,063	8,850,836	8,850,836
Less: accumulated depreciation	(1,040,353)	(957,048)	(3,794,715)	(3,652,406)	(4,835,068)	(4,609,454)
Total Capital Assets	<u>\$ 658,420</u>	<u>\$ 741,725</u>	<u>\$ 3,357,348</u>	<u>\$ 3,499,657</u>	<u>\$ 4,015,768</u>	<u>\$ 4,241,382</u>

Long-Term Debt. The Town paid off its remaining bonds during fiscal year 2015 and has no other long-term debt except for its net pension liability of \$454,718.

Economic Factors and Next Year's Budgets and Rates

The Town of Newellton's budget for the 2019 fiscal year reflects revenues projected at \$278,400, expenditures projected at \$493,100, and transfers in projected at \$149,300 for a projected net decrease of \$65,400.

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, LA 71357 or by calling 318-467-5050.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF NEWELLTON
Newellton, Louisiana
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 4,585	\$ 9,009	\$ 13,594
Investments	-	19,989	19,989
Receivables	3,518	59,870	63,388
Due from other governmental units	7,333	-	7,333
Prepaid expenses	10,326	5,640	15,966
Investments-restricted	-	89,155	89,155
Capital assets, net	658,420	3,357,348	4,015,768
Investment in jointly owned gas operations and maintenance fund	-	1,224	1,224
Total assets	<u>684,182</u>	<u>3,542,235</u>	<u>4,226,417</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on pensions	95,371	86,422	181,793
Total deferred outflows of resources	<u>95,371</u>	<u>86,422</u>	<u>181,793</u>
LIABILITIES			
Accounts payable and accrued expenses	7,927	33,423	41,350
Payroll liabilities	13,329	5,941	19,270
Long-term liabilities			
Deposits held	-	89,155	89,155
Net pension liability	238,550	216,168	454,718
Total liabilities	<u>259,806</u>	<u>344,687</u>	<u>604,493</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on pensions	12,137	10,998	23,135
Total deferred inflows of resources	<u>12,137</u>	<u>10,998</u>	<u>23,135</u>
NET POSITION			
Net investment in capital assets	658,420	3,357,348	4,015,768
Unrestricted (Deficit)	(150,810)	(84,376)	(235,186)
Total net position	<u>\$ 507,610</u>	<u>\$ 3,272,972</u>	<u>\$ 3,780,582</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, 2018

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government						
Governmental activities						
General government	\$ 162,718	\$ -	\$ -	\$ (162,718)	\$ -	\$ (162,718)
Public safety	152,820	13,925	3,541	(135,354)	-	(135,354)
Public works	251,180	69,058	-	(182,122)	-	(182,122)
Total governmental activities	566,718	82,983	3,541	(480,194)	-	(480,194)
Business-type activity						
Utility operations	574,344	568,836	-	-	(5,508)	(5,508)
Total business-type activities	574,344	568,836	-	-	(5,508)	(5,508)
Total primary government	\$ 1,141,062	\$ 651,819	\$ 3,541	(480,194)	(5,508)	(485,702)
General revenues						
Taxes						
Ad valorem taxes				71,297	-	71,297
Sales taxes				58,181	-	58,181
Other taxes				1,809	-	1,809
Video poker				1,751	-	1,751
Licenses, permits and franchise fees				61,694	-	61,694
Interest earnings				30	789	819
Other				4,471	3,456	7,927
Loss from jointly owned gas operations and maintenance fund				-	(19,026)	(19,026)
Transfers in (out)				180,000	(180,000)	-
Total general revenues				379,233	(194,781)	184,452
Change in net position				(100,961)	(200,289)	(301,250)
Net position at beginning of year				608,571	3,473,261	4,081,832
NET POSITION AT END OF YEAR				\$ 507,610	\$ 3,272,972	\$ 3,780,582

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

TOWN OF NEWELLTON
Newellton, Louisiana
Governmental Funds
Balance Sheet
June 30, 2018

		<u>Major Fund</u> <u>General</u> <u>Fund</u>
ASSETS		
Cash	\$	4,585
Receivables		
Other receivables		3,518
Due from other governmental units		7,333
Prepaid expenses		10,326
TOTAL ASSETS	\$	<u>25,762</u>
LIABILITIES AND FUND EQUITY		
Liabilities		
Accounts payable	\$	7,927
Payroll liabilities		13,329
Total liabilities		<u>21,256</u>
Fund equity		
Fund balance		
Nonspendable - prepaid expenses		10,326
Unassigned		<u>(5,820)</u>
Total fund balance		<u>4,506</u>
TOTAL LIABILITIES AND FUND EQUITY	\$	<u>25,762</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, 2018

Fund balance - total governmental funds	\$	4,506
<p>Amounts reported for governmental activities are not financial resources and, therefore, are not reported in the governmental funds:</p>		
Governmental capital assets	\$	1,698,773
Less: accumulated depreciation		<u>(1,040,353)</u>
		658,420
<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		(238,550)
<p>Deferred outflows for pensions are not reported in the governmental funds but are reported in the government-wide financial statements</p>		
		95,371
<p>Deferred inflows for pensions are not reported in the governmental funds but are reported in the government-wide financial statements</p>		
		(12,137)
Net position of governmental funds	\$	<u><u>507,610</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, 2018

	Major Fund
	General
	Fund
Revenues	
Taxes	
Ad valorem	\$ 71,297
Sales	58,181
Charges for services	69,058
Franchise Fees	16,833
Licenses and permits	44,861
Intergovernmental	
State	7,101
Fines and forfeitures	13,925
Use of money and property	30
Other revenues	961
Total Revenues	282,247
Expenditures	
Current	
General government	159,923
Public safety-police	124,620
Public safety-fire	515
Public works	202,446
Total Expenditures	487,504
Excess (Deficiency) of Revenues over Expenditures	(205,257)
Other Financing Sources / (Uses)	
Transfers in	180,000
Total Other Financing Sources / (Uses)	180,000
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(25,257)
Fund Balance at Beginning of Year	29,763
FUND BALANCE AT END OF YEAR	\$ 4,506

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, 2018**

Net change in fund balance - total governmental funds	\$	(25,257)
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Amount reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense		(83,305)
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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.

7,601

Change in net position of governmental activities	\$	<u>(100,961)</u>
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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, 2018

	Major Fund
	Enterprise Fund
ASSETS	
Current assets	
Cash	\$ 9,009
Investments	19,989
Accounts receivable - net	59,870
Prepaid expenses	5,640
Total current assets	94,508
Restricted assets	
Investments	89,155
Total restricted assets	89,155
Capital assets	
Non-depreciable	19,650
Depreciable	7,132,413
Total capital assets	7,152,063
Accumulated depreciation	(3,794,715)
Net capital assets	3,357,348
Other assets	
Investment in jointly owned gas operations and maintenance fund	1,224
Total other assets	1,224
Total assets	3,542,235
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows on pensions	86,422
Total deferred outflows of resources	86,422
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	33,423
Payroll liabilities	5,941
Total current liabilities	39,364
Noncurrent liabilities	
Customer deposits, payable from restricted assets	89,155
Net pension liability	216,168
Total noncurrent liabilities	305,323
Total liabilities	344,687
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows on pensions	10,998
Total deferred inflows of resources	10,998
NET POSITION	
Net investment in capital assets	3,357,348
Unrestricted	(84,376)
Total net position	\$ 3,272,972

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, 2018

	Major Fund
	Enterprise Fund
OPERATING REVENUES	
Water sales	\$ 227,714
Gas sales	192,662
Sewerage fees	132,016
Plumbing fees	1,525
Penalties	14,919
Total operating revenues	568,836
OPERATING EXPENSES	
Bad debts	7,044
Computer consultants	2,655
Depreciation	142,308
Dues and subscriptions	4,020
Engineering	7,712
Gas purchases	81,888
Insurance - general	17,608
Legal and audit	16,597
Miscellaneous expenses	461
Office supplies	8,042
Postage	2,348
Salaries and related benefits	140,594
Supplies-plant	12,704
Supplies and expenses-gas	24,104
Supplies and expenses-sewer	3,500
Supplies and expenses-water	53,001
Telephone	10,871
Travel and meetings	1,496
Utilities	36,814
Total operating expenses	574,344
Operating income (loss)	(5,508)
NONOPERATING REVENUES (EXPENSES)	
Interest earnings	789
Loss from jointly owned gas operation and maintenance fu	(19,026)
Other nonoperating revenues	3,456
Total nonoperating revenue (expenses)	(14,781)
Income (loss) before operating transfers	(20,289)
OPERATING TRANSFERS	
Transfers out	(180,000)
Net transfers	(180,000)
Net income (loss)	(200,289)
Net Position beginning of year	3,473,261
Net Position end of year	\$ 3,272,972

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, 2018

	Major Fund
	Enterprise Fund
Cash flows from operating activities	
Cash received from customers	\$ 578,364
Cash paid for employee services	(144,797)
Cash payments to suppliers for goods and services	(301,601)
Net cash provided by operating activities	131,966
Cash flows from noncapital financing activities	
Transfers to general fund from the utility fund	(180,000)
Net cash used by noncapital financing activities	(180,000)
Cash flows from investing activities	
Sale of investments	9,253
Receipt of other nonoperating proceeds	3,456
Interest received on investments	789
Net cash provided by investing activities	13,498
Net increase in cash	(34,536)
Cash at beginning of year	43,545
Cash at end of year	\$ 9,009

(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, 2018

	Major Fund
	Enterprise Fund
Reconciliation of operating income to net cash provided by operating activities	
Operating loss	\$ (5,508)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	142,308
Bad debt expense	7,044
Change in assets and liabilities	
Accounts receivable	(601)
Prepaid expenses	(516)
Accounts payable and accrued liabilities	(9,644)
Payroll liabilities	328
Customer deposits	3,086
Net pension liability	37,069
Deferred charges on pensions	(19,970)
Deferred inflows on pensions	(21,630)
Net cash provided by operating activities	\$ <u>131,966</u>
 Supplemental disclosure of noncash investing, capital, and financing activities	
Loss from jointly owned gas operations and maintenance fund	\$ <u>19,026</u>
Decrease in the investment of the jointly owned gas operations and maintenance fund	\$ <u>(19,026)</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2018

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, 2018

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. 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, 2018

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 typically summarized into a single column in the basic financial statements but the Town does not have any non-major funds in this year.

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

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2018

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.

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.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2018

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 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 additional 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.

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.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2018

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; encumbrance accounting is not used by the Town.

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."

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.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2018

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, 2018.

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.

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.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2018

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.

Fund Equity of Fund Financial Statements

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

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

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

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

Assigned: Fund balance that is constrained by the Board of Aldermen's intent to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by the Board. The Town does not have any assigned fund balances in the current fiscal year.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2018

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 \$15,543 for the year ended June 30, 2018.

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 \$7,044 has been set up for the year ended June 30, 2018.

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 8) 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.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2018

Note 2 - Expenditures- Budget and Actual

The Town incurred a negative budget variance for charges to appropriations for fiscal year 2018. Total expenditures were budgeted at \$460,150 but actual expenditures totaled \$487,504 resulting in a negative variance of \$27,354 (5.9%).

Note 3 - Cash and Investments

At June 30, 2018, the Town has cash and investments totaling \$122,738 with \$13,594 in demand deposits and \$109,144 in certificates of deposit.

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

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

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

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

At year-end, the Town’s carrying amount of deposits was \$122,738 and bank balances of \$122,644, all of which is covered by federal depository insurance. Accordingly, the Town had no custodial credit risk related to its deposits at June 30, 2018.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2018

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 \$63,388 as of June 30, 2018 and are comprised of the following:

	General Fund	Utility Fund	Total
Accounts Receivable			
Franchise Fees	\$3,518	\$ -	\$ 3,518
Customer receivables	-	62,612	62,612
Less: Allowance for doubtful accounts	-	(2,742)	(2,742)
Total	\$3,518	\$ 59,870	\$ 63,388

Note 5 - Due from Other Governments

At June 30, 2018, the Town has amounts due from other governments totaling \$7,334, all of which is reported in the General Fund where \$680 is due from the State of Louisiana for beer taxes and occupational license proceeds. Another \$6,654 is due from the Concordia Parish School Board for sales taxes.

Note 6 - Interfund Transfers

During fiscal year 2018, the Utility Enterprise Fund transferred \$180,000 to the General Fund to cover where expenditures were exceeding revenues 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.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2018

Note 7 - Changes in Capital Assets

The following schedule presents changes in capital assets for the year ended June 30, 2018:

	Balance 6/30/2017	Additions	Deletions	Balance 6/30/2018
Governmental Activities				
Nondepreciable assets				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Total nondepreciable assets	1,000	-	-	1,000
Depreciable assets				
Building	53,218	-	-	53,218
Vehicles	335,090	-	-	335,090
Furniture and equipment	41,471	-	-	41,471
Fire station	486,426	-	-	486,426
Signage	8,750	-	-	8,750
Streets and drainage	772,818	-	-	772,818
Total depreciable assets	1,697,773	-	-	1,697,773
Less accumulated depreciation	(957,048)	(83,305)	-	(1,040,353)
Net governmental activities capital assets	\$ 741,725	\$ (83,305)	\$ -	\$ 658,420
Business-type activities				
Nondepreciable assets				
Land	\$ 19,650	\$ -	\$ -	\$ 19,650
	19,650	-	-	19,650
Depreciable assets				
Water system	2,736,842	-	-	2,736,842
Sewer system	2,876,473	-	-	2,876,473
Gas system	1,327,176	-	-	1,327,176
Gas pipeline	9,429	-	-	9,429
Service equipment	182,493	-	-	182,493
Total depreciable assets	7,132,413	-	-	7,132,413
Less accumulated depreciation	(3,652,406)	(142,309)	-	(3,794,715)
Net business-type capital assets	\$ 3,499,657	\$ (142,309)	\$ -	\$ 3,357,348

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.

TOWN OF NEWELLTON
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Notes To Financial Statements
As of and For The Year Ended June 30, 2018

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 \$83,305 was charged to governmental activities as follows: General Government, \$3,599; Public Safety, \$27,685; and Public Works, \$52,021. Depreciation of \$142,309 as of June 30, 2018, was charged to expense in for utility operations.

Note 8 - Investment in Joint Gas Line

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. Currently, each town is required to purchase gas directly from the supplier and each town is responsible for maintaining the costs of the joint gas line.

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.

Summary Financial information for the joint venture at June 30, 2018, and for the year then ended, is as follows:

Assets	
Cash and cash equivalents	\$ 11,473
Accounts receivable	<u>384</u>
Total Assets	<u>11,857</u>
Liabilities	
Accounts payable and accrued expenses	9,247
Customer deposits	<u>162</u>
Total Liabilities	<u>9,409</u>
Net Position - Unrestricted	<u><u>\$ 2,448</u></u>

The Joint Gas Line's net position decreased by \$38,052 in fiscal year 2018. 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.la.gov.

TOWN OF NEWELLTON
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Notes To Financial Statements
As of and For The Year Ended June 30, 2018

Note 9 - Ad Valorem Taxes

For the year ended June 30, 2018, ad valorem taxes of 22.51 mills were levied on property with assessed valuations totaling \$3,206,466 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.

The Town bills and collects its own property taxes using the assessed values determined by the assessor of Tensas Parish. At June 30, 2018, substantially all taxes have been collected.

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

Plan Description

The Town of Newellton contributes to the Municipal Employees' Retirement System of Louisiana (the 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.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2018

For the year ended June 30, 2018, the Town of Newellton's total payroll for all employees was \$325,558. Total covered payroll was \$197,897. 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, 2018, the actual employer contribution rate was 24.75% for Plan A, actuarially determined as an amount that, when combined with 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, 2017 were \$44,905.

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

At June 30, 2018, the Employer reported a liability of \$454,718 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 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, 2017, the Town's proportion was 0.108695%, which was an increase of 0.015995% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town of Newellton's recognized pension expense of \$79,413 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, which was

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2018

(\$84,855). Total pension expense for the Town of Newellton for the year ended June 30, 2017 was (\$5,442).

The Town of Newellton recognized revenue in the amount of \$6,690 for support provided by non-employer contributions.

At June 30, 2018, 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	\$ -	\$13,849
Changes in assumption	7,603	-
Net difference between projected and actual earnings on pension plan investments	91,694	-
Changes in employer's portion of beginning net pension liability	33,515	9,286
Differences between employer contributions and proportionate share of employer contributions	-	-
Subsequent measurement contributions	48,980	-
Total	\$181,792	\$23,135

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$52,866
2020	\$52,866
2021	\$52,886

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2018, are as follows:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.400%
Inflation rates	2.775%
Salary increases, including inflation and merit increases	5.000%

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Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2018

Annuitant and beneficiary mortality	For annuitant and beneficiary mortality tables used were RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and set forward 1 year for females projected to 2028 using scale AA.
Employee mortality	For employees, the RP-2000 Disabled Lives Mortality Table set back 2 years for both males and females.
Disabled lives mortality	For disabled annuitants, RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 years for females.
Expected remaining service lives	3 years

Discount Rate

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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity	50%	2.3%
Public fixed income	35%	1.6%
Alternatives	15%	0.7%
Totals	100%	4.6%
Inflation		2.6%
Expected arithmetic nominal return		7.2%

The discount rate used to measure the total pension liability was 7.40% for the years ended June 30, 2017. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF NEWELLTON
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Notes To Financial Statements
As of and For The Year Ended June 30, 2018

The effects of certain other changes in the net pension liability are required to be included in pension expense over the current and future periods. The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees), determined as of the beginning of the measurement period. The effect on net pension liability of differences between the projected earnings on pension plan investments and actual experience with regard to those earnings is required to be included in pension expense in a systematic and rational manner over a closed period of five years, beginning with the current period. The Expected Remaining Service Lives (ERSL) for 2017 is 3 years for Plan A.

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 7.4%, 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 (6.4%) or one percentage-point higher (8.4%) than the current rate:

	1.0% Decrease (6.4%)	Current Discount Rate (7.4%)	1.0% Increase (8.4%)
Employer's proportionate share of net pension liability	\$579,461	\$454,718	\$348,314

Payables to the Pension Plan

These financial statements include a payable to the pension plan of \$4,836 which is the legally required contribution due at June 30, 2018. This amount is recorded in accrued expenses.

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, 2018

Note 11 - Risk Financing Activities

The Town is a participating member in the Louisiana Municipal 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.

The Town's coverage had ended at the end of the policy period on May 1, 2016. The Town obtained coverage for its vehicle portion of its policy beginning on November 16, 2017. Remaining coverage for commercial general liability, errors and omissions and law enforcement began on November 16, 2017.

Note 12 - Adoption of New Accounting Standards

GASB has issued the following statements:

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions - The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. This statement does not affect these financial statements.

Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments - The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015. Earlier application is encouraged. This statement has been implemented.

Statement No. 77, Tax Abatement Disclosures - The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. This statement does not affect these financial statements.

Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans - The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. There were no significant effects on these financial statements.

Statement No. 79, Certain External Investment Pools and Pool Participants - The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23-26, and 40, which are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. There were no significant effects on these financial statements.

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Notes To Financial Statements
As of and For The Year Ended June 30, 2018

Statement No. 80, *Blending Requirements for Certain Component Units*—an amendment of GASB Statement No. 14 - The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged. This statement does not affect these financial statements.

Statement No. 81, *Irrevocable Split-Interest Agreements* - The requirements of this Statement are effective for periods beginning after December 15, 2016. Earlier application is encouraged. This statement does not affect these financial statements.

Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 61, No. 68, and No. 73* – The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged. This statement has been implemented.

Statement No. 83, *Certain Asset Retirement Obligations* - The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. This statement does not affect these financial statements.

Statement No. 84, *Fiduciary Activities* - The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. This statement does not affect these financial statements.

Statement No. 85, *Omnibus 2017* - The provisions of this Statement are effective for periods beginning after June 15, 2017. Earlier application is encouraged. This statement does not affect these financial statements.

Statement No. 86, *Certain Debt Extinguishment Issues* - The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This statement does not affect these financial statements.

Statement No. 87, *Leases* - For reporting periods beginning after December 15, 2019. This statement does not affect these financial statements. This statement does not affect these financial statements.

Statement No. 88, *Certain Disclosures Related to Debt*, including Direct Borrowings and Direct Placements – The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* – The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

Note 12 - Subsequent Events

Management has evaluated subsequent events through June 4, 2019, the date which the financial statements were available to be issued and determined the following pending subsequent events occurred that requires disclosure:

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2018

Construction is anticipated to begin in the late spring of 2019 for an upgrade to the Town's water treatment plant through an \$800,000 Louisiana Community Development Block Grant.

At its January 9, 2019 council meeting, the Town Council approved rate increases for water and sewer that will go into effect on April 1, 2019 which are as follows:

Current monthly water rates are \$26.00 for the first 2,000 gallons and \$4.00 per 1,000 gallons thereafter for residential and \$31 for the first 2,000 gallons and \$4.00 per 1,000 gallons thereafter for commercial. The new water rates are \$29.00 for the first 2,000 gallons and \$5.00 per 1,000 gallons thereafter for residential and \$34.00 for the first 2,000 gallons and \$5.00 per 1,000 gallons thereafter for commercial. This increase is expected to generate \$37,000 in new revenue.

Current sewer rates are \$14.20 for the first 2,000 gallons and \$3.34 per 1,000 gallons thereafter for residential and \$18.46 for the first 2,000 gallons and \$3.34 per 1,000 gallons thereafter for commercial. The new sewer rates are \$16.00 for the first 2,000 gallons and \$3.50 per 1,000 gallons thereafter for residential and \$20.00 for the first 2,000 gallons and \$3.50 per 1,000 gallons thereafter for commercial. This increase is expected to generate \$15,000 in new revenue.

At its May 8, 2019 council meeting, the Town introduced a resolution to increase its monthly garbage pick-up rates from \$10.53 for residential to \$25.00 for residential and from \$14.00 to \$30.00 for commercial. The Town will vote on this ordinance at the next called meeting after informing the public of this proposed action.

Note 13 - Uncertainty about Going Concern

General Fund

For the year ended June 30, 2018, the General Fund's expenditures exceeded its revenues by \$205,257. The Town transferred \$180,000 from the Utility Fund to subsidize the General Fund which reduced the deficiency of revenues and other sources over expenditures and other uses to \$25,257. For the past four years, including fiscal year 2018, the General Fund's expenditures have exceeded revenues by an average of \$187,000, offset by transfers from the Utility Fund by an average of \$170,000 for an average decrease of \$18,000.

The General Fund's equity balance at June 30, 2018 was \$4,506. If revenues and expenditures remain the same for 2018-2019 and 2019-2020 as they were in 2017-2018, except for the rate increase discussed below, and were not financed in part by the Utility Fund, the financial statements will present fund deficits of \$182,000 in 2019 and \$110,000 in 2020.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2018

Management has adopted a resolution to increase for garbage pickup rates by \$72,000 per year which will become effective if it is approved at the next council meeting.

Utility Fund

For the year ended June 30, 2018, the Utility Fund's expenses exceeded its revenues by \$20,289. Coupled with the \$180,000 transfer to the General Fund noted above, the Utility Fund had a net decrease of \$200,289 for the year. For the past four years, including fiscal year 2018, the Utility Fund's expenses have exceeded revenues by an average of \$25,000 in addition to the transfers to the General Fund averaging \$170,000 per year for an average decrease of \$195,000.

The Utility Fund's deficit net assets balance at June 30, 2018 was \$173,531. If revenues and expenses remain the same for 2018-2019 and 2019-2020, except for the rate increases discussed below, as they were in 2017-2018 and without transfers to the General Fund, the financial statements will present fund deficits of \$48,000 in 2019 and \$8,000 in 2020. Both of these deficits for these years include an estimated \$142,000 in depreciation expense, a noncash expense.

Neither of the estimates for fiscal years 2019 nor 2020 have any funds dedicated to a major repair which may or may not occur. It also does not include any additional costs for the Joint Gas Line which has also shown a decline in operations of which the Town owns 50% of this entity.

Management has implemented rate increases for water of \$37,000 per year and sewer of \$15,000 per year which will become effective on April 1, 2019. However, these increases will not be sufficient to eliminate the deficit operations in each of the two funds. There are no additional plans to eliminate the uncertainty.

It is unclear whether discontinuance of certain operations will be necessary to eliminate the uncertainty.

The financial statements do not include any adjustments that might be necessary if the Town is unable to continue as a going concern.

**REQUIRED SUPPLEMENTAL INFORMATION
(PART B)**

TOWN OF NEWELLTON
Newellton, Louisiana

General Fund
Budgetary Comparison Schedule (GAAP Basis)
(unaudited)

Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Positive (Negative)
	Original Budget	Final Budget		
Budgetary fund balance at beginning of year	\$ -	\$ -	\$ 29,763	\$ 29,763
Resources (inflows)				
Ad valorem taxes	60,000	60,000	71,297	11,297
Sales and other taxes	47,700	47,700	58,181	10,481
Charges for services	78,500	78,500	69,058	(9,442)
License and permits				
Franchise revenue	31,000	31,000	16,833	(14,167)
Occupational & other licenses	40,000	40,000	44,861	4,861
Intergovernmental revenue	38,880	38,880	7,101	(31,779)
Fines and forfeitures	14,000	14,000	13,925	(75)
Interest income	125	125	30	(95)
Miscellaneous	2,000	2,000	961	(1,039)
Total revenues	<u>312,205</u>	<u>312,205</u>	<u>282,247</u>	<u>(29,958)</u>
Transfers in	<u>150,000</u>	<u>150,000</u>	<u>180,000</u>	<u>30,000</u>
Total resources (inflows)	<u>462,205</u>	<u>462,205</u>	<u>462,247</u>	<u>42</u>
Amounts available for appropriations	<u>462,205</u>	<u>462,205</u>	<u>492,010</u>	<u>29,805</u>
Charges to appropriations (outflows)				
Current:				
General government	164,350	164,350	159,923	4,427
Public safety				
Police department	112,700	112,700	124,620	(11,920)
Fire department	400	400	515	(115)
Public works	181,500	181,500	202,446	(20,946)
Capital outlay	<u>1,200</u>	<u>1,200</u>	<u>-</u>	<u>1,200</u>
Total charges to appropriations (outflows)	<u>460,150</u>	<u>460,150</u>	<u>487,504</u>	<u>(27,354)</u>
Budgetary fund balance at end of year	<u>\$ 2,055</u>	<u>\$ 2,055</u>	<u>\$ 4,506</u>	<u>\$ 2,451</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Notes to Budgetary Comparison Schedules
For the Year Ended June 30, 2018
(unaudited)

A. BUDGETS

General Budget Practices

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

State statute requires budgets to be adopted for the general fund.

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.

After the public hearing, the budget is adopted by passing an ordinance approving the budget at the selected June board meeting.

Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.

All legally adopted budgets of the Town are adopted on a basis consistent with GAAP. A budget is adopted for the General Fund; encumbrance accounting is not used by the Town.

Town of Newellton
Municipal Employee's Retirement System (Plan A)
Schedule of Employer's Share of Net Pension Liability
For the year ended June 30, 2018
(Unaudited)

Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability
2018	0.108695%	454,718	197,383	230.37%	62.49%
2017	0.092700%	379,948	165,595	229.44%	62.11%
2016	0.102087%	364,669	175,117	208.24%	66.18%
2015	0.141518%	363,198	205,487	176.75%	66.18%

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

The amounts presented have a measurement date of the previous fiscal year.

Town of Newellton
Municipal Employee's Retirement System (Plan A)
Schedule of Employer's Contribution
For the year ended June 30, 2018
(Unaudited)

Year	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Employee Payroll
2018	48,980	48,980	-	197,897	24.75%
2017	44,905	44,905	-	197,383	22.75%
2016	32,705	32,705	-	165,595	19.75%
2015	34,450	34,450	-	175,117	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
(Unaudited)

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, 2016.

OTHER SUPPLEMENTAL INFORMATION

TOWN OF NEWELLTON
Newellton, Louisiana
Schedules of Net Position - Enterprise Fund
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash	\$ 9,009	\$ 43,545
Investments	19,989	32,327
Accounts receivable - net	59,870	66,312
Prepaid expenses	5,640	5,124
Total current assets	<u>94,508</u>	<u>147,308</u>
Restricted assets		
Investments	89,155	86,069
Total restricted assets	<u>89,155</u>	<u>86,069</u>
Capital assets		
Non-depreciable	19,650	19,650
Depreciable	7,132,413	7,132,413
Total capital assets	<u>7,152,063</u>	<u>7,152,063</u>
Accumulated depreciation	<u>(3,794,715)</u>	<u>(3,652,406)</u>
Net capital assets	<u>3,357,348</u>	<u>3,499,657</u>
Other assets		
Investment in jointly owned gas operations and maintenance fund	1,224	20,250
Total other assets	<u>1,224</u>	<u>20,250</u>
Total assets	<u>3,542,235</u>	<u>3,753,284</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on pensions	86,422	66,452
Total deferred outflows of resources	<u>86,422</u>	<u>66,452</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	33,423	43,066
Payroll liabilities	5,941	5,613
Total current liabilities	<u>39,364</u>	<u>48,679</u>
Noncurrent liabilities		
Customer deposits, payable from restricted assets	89,155	86,069
Net pension liability	216,168	179,099
Total noncurrent liabilities	<u>305,323</u>	<u>265,168</u>
Total liabilities	<u>344,687</u>	<u>313,847</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows on pensions	10,998	32,628
Total deferred inflows of resources	<u>10,998</u>	<u>32,628</u>
NET POSITION		
Net investment in capital assets	3,357,348	3,499,657
Unrestricted	<u>(84,376)</u>	<u>(26,396)</u>
Total net position	<u>\$ 3,272,972</u>	<u>\$ 3,473,261</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Schedules of Revenues, Expenses, and Changes in
Net Position - Enterprise Fund
For The Years Ended June 30, 2018 and 2017

	2018	2017
Operating revenues:		
Water sales	\$ 227,714	\$ 234,753
Gas sales	192,662	162,512
Sewerage fees	132,016	138,565
Plumbing fees	1,525	2,439
Penalties	14,919	16,110
Total operating revenues	568,836	554,379
Bad debts	7,044	2,441
Computer consultants	2,655	5,090
Depreciation	142,308	142,309
Dues and subscriptions	4,020	2,312
Engineering	7,712	12,335
Gas purchases	81,888	76,632
Insurance - general	17,608	21,080
Legal and audit	16,597	36,905
Miscellaneous expenses	461	1,394
Office supplies	8,042	7,798
Postage	2,348	3,170
Salaries and related benefits	140,594	154,057
Supplies-plant	12,704	4,235
Supplies and expenses-gas	24,104	14,953
Supplies and expenses-sewer	3,500	15,154
Supplies and expenses-water	53,001	46,486
Telephone	10,871	9,579
Travel and meetings	1,496	4,023
Utilities	36,814	27,731
Total operating expenses	574,344	587,684
Operating profit (loss)	(5,508)	(33,305)
Nonoperating revenues (expenses):		
Grants	-	5,751
Interest earnings	789	493
Income (loss) from jointly owned gas operations and maintenance fund	(19,026)	(15,120)
Other nonoperating revenues	3,456	11,499
Total nonoperating revenue (expense)	(14,781)	2,623
Income before operating transfers	(20,289)	(30,682)
Operating transfers:		
Transfers out	(180,000)	(149,875)
Net transfers	(180,000)	(149,875)
Net income (loss)	(200,289)	(180,557)
Net position beginning of year	3,473,261	3,653,818
Net position end of year	\$ 3,272,972	\$ 3,473,261

TOWN OF NEWELLTON
Newellton, Louisiana

Schedules of Cash Flows - Enterprise Fund
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Cash received from customers	\$ 578,364	\$ 553,485
Cash paid for employee services	(144,797)	(142,140)
Cash payments to suppliers for goods and services	(301,601)	(310,813)
Net cash provided (used) by operating activities	<u>131,966</u>	<u>98,092</u>
Cash flows from noncapital financing activities:		
Transfers to general fund	(180,000)	(149,875)
Net cash used in noncapital financing activities	<u>(180,000)</u>	<u>(149,875)</u>
Cash flows from capital and related financing activities		
Grant received for repairs / acquisition of capital assets	-	20,827
Net cash provided by financing activities	<u>-</u>	<u>20,827</u>
Cash flows from investing activities		
Sale (Purchase) of short-term investments	9,253	44,787
Receipt of other nonoperating proceeds	3,456	11,499
Interest received on investments	789	493
Net cash provided by investing activities	<u>13,498</u>	<u>56,779</u>
Net increase (decrease) in cash	(34,536)	25,823
Cash at beginning of year	<u>43,545</u>	<u>17,722</u>
Cash at end of year	<u>\$ 9,009</u>	<u>\$ 43,545</u>

(Continued)

TOWN OF NEWELLTON
Newellton, Louisiana

Schedules of Cash Flows - Enterprise Fund (Concluded)
For the Years Ended June 30, 2018 and 2017

	2018	2017
Reconciliation of operating income to net cash provided by operating activities		
Operating loss	\$ (5,508)	\$ (33,305)
Adjustments to reconcile operating loss to net cash provided by operating activities:		142,309
Depreciation	142,308	1,965
Bad debt expense	7,044	2,441
Change in assets and liabilities		
Accounts receivable	(601)	(3,474)
Prepaid expenses	(516)	(4,501)
Accounts payable and accrued liabilities	(9,644)	(14,994)
Payroll liabilities	328	323
Customer deposits	3,086	(1,825)
Net pension liability	37,069	24,873
Deferred charges on pensions	(19,970)	(9,551)
Deferred inflows on pensions	(21,630)	(6,428)
	<u>\$ 131,966</u>	<u>\$ 98,092</u>
Supplemental disclosure of noncash capital investing activities		
Income from jointly owned gas operations and maintenance fund	\$ (19,026)	\$ (15,120)
Change in the investment in the jointly owned gas operations and maintenance fund	\$ (19,026)	\$ (15,120)

TOWN OF NEWELLTON
Newellton, Louisiana

Compensation Paid Aldermen
For the Year Ended June 30, 2018

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
Richard Dunmore	6,000
Lavon Garner	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, 2018

Chief Executive Officer: Timothy Turner, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 14,400
Benefits-retirement contributions	3,564
Mileage reimbursements	595
Conference travel and registration fees	515
	<u>\$ 19,074</u>

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

Francis I. Huffman, CPA
John Herman, CPA
Lynn Andries, CPA, CGMA
Esther Atteberry, CPA
Katie Jacola, CPA
Nancy T. Blankenship, 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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 5, 2019.

Internal Control over Financial Reporting

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

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

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

**Town of Newellton
Newellton, Louisiana**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 2018-001 and 2018-002.

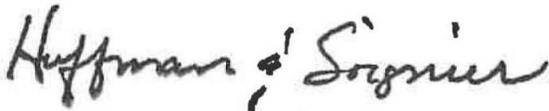
The Town's Response to Findings

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)

June 5, 2019

**Town of Newellton
Newellton, Louisiana**

**Schedule of Findings
June 30, 2018**

2018-001 Late Submission of Audit Report to the Louisiana Legislative Auditor

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, 2018 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: The trial balance was not presented for audit until December 18, 2018.

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

Recommendations to Prevent Future Occurrences

The Town should continue to have its financial records available for audit by July 31 of each year and engage with a CPA firm as soon after year-end as possible.

Origination date and prior year reference (if applicable)

This finding originated in fiscal year 2013. See prior year finding 2017-002.

Response

The Town anticipates being in compliance and ready to present any and all financial records needed for the June 30, 2019 reporting.

2018-002 Violations of Louisiana Local Government Budget Act

Criteria or Specific Requirement

A budget should be prepared annually in accordance with the applicable Louisiana Revised Statutes whereby the entity is in compliance with:

39:1305	Budget preparation
39:1306	Completion and submission of the proposed budget
39:1307	Public participation
39:1308	Inspection of the proposed budget
39:1309	Adoption

**Town of Newellton
Newellton, Louisiana**

**Schedule of Findings
June 30, 2018**

39:1313	Budget filing
33:406	Enactment, recording, and publication of ordinances and resolutions
	and if necessary during the year:
39:1310	Amending the budget

And if a budget is not adopted:

39:1312	Governing authority's failure to make appropriation
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This revised statute requires if a budget is not adopted, "then fifty percent of the amounts appropriated in the appropriation ordinance or resolution for the last completed fiscal year shall be deemed reappropriated for the several objects and purposes specified in such appropriation ordinance or resolution".

Condition Found

The Town was in violation of the revised state statutes noted above due to its failure to prepare an original budget. An amended budget was prepared but the Town's actual expenditures of \$487,504 exceeded its budgeted expenditures of \$460,150 for a \$27,354 (5.9%) negative variance which is greater than the 5% variance that is allowed.

Possible asserted effect (cause and effect)

Causes: The new town clerk was not aware of the various revised statutes regarding the budget.

Effects: Management did not comply with the requirements of Louisiana Revised Statutes 39:1306, 39:1307, 39:1308, 39:1309, 39:1313, 33:406, 39:1310, 39:1312.

Recommendations to Prevent Future Occurrences

Management should provide the new town clerk with the information needed to comply with the requirements of the Louisiana Local Budget Act.

Origination date and prior year reference (if applicable)

This finding originated in June 20, 2015. See prior year finding 2017-003.

Response

We will ensure that the Town Clerk has the necessary information to comply with the requirements of the Louisiana Local Budget Act.

TOWN OF NEWELLTON
Newellton, Louisiana

Summary Status of Prior Year Findings
For the Year Ended June 30, 2018

The following is a summary of the status of the prior year audit findings included in the Huffman & Soignier (APAC) audit report dated August 30, 2018 in connection with the audit of the financial statements of the Town of Newellton as of and for the year ended June 30, 2017.

2017-001 Internal Control over Financial Reporting and Operations

Conditions Found

The Town's general ledger records are maintained on QuickBooks. A brief recap of changes to the Balance Sheet report line items is as follows:

Cash – The bank reconciliations are prepared by an outside CPA firm. However, the bank reconciliations and bank statements are not initialed by someone outside of the preparer.

Additionally, the Town employs two employees in Town Hall where each employee can collect checks and money orders (the Town has a “no cash” policy), operate out of the same drawer, update the billing software, prepare the deposit, and take the deposit to the bank. The Utility Clerk was not covered by a surety bond during the fiscal year and the Town Clerk was not covered for two of the twelve months.

Accounts Receivable for Services Provided – The Town originally reported a balance of \$71,373 for its water, gas, sewer and other miscellaneous amounts before negative adjustments of \$5,060 for a final reported balance of \$66,312. These adjustments were centered around the recording on a one-time receivable for \$8,492 and the reduction of other receivables by \$13,552.

Prepaid Expenses – The Town originally reported a balance of \$1,195 before net positive adjustments of \$10,650 for a final reported balance of \$11,845.

Accounts Payable – The Town originally reported a balance of \$74,448 before adjustments of \$8,232 for a final reported balance of \$8,232 largely due to one unrecorded invoice for \$3,381 and its three credit card ending balances of \$4,850.

Salaries and Benefits Payable – The Town originally reported a balance of \$20,193 before adjustments of \$3,216 for a final reported balance of \$23,409 largely due to not reflecting a portion of its June 2017 pension liability.

Customer deposits – The Town originally reported a balance of \$91,423 before adjustment of \$5,354 for a final reported balance of \$86,069.

Expenditures / Expenses – The Town did not allocate its workers comp expenses correctly between functions resulting in a correcting journal entry to increase the

TOWN OF NEWELLTON
Newellton, Louisiana

Summary Status of Prior Year Findings
For the Year Ended June 30, 2018

General Fund's public safety function by \$6,807, increase the public safety's function by \$7,038, increase to the Utility Fund's insurance expense by \$1,726 and to decrease the General Fund's general government function by \$15,571. The Town also did not correctly charge expenses related to one vendor for supplies and expense for water by \$16,737 which was instead incorrectly charged to supplies and expense for sewer.

Finally, the Town should employ a monthly review of the financial operation of the Town through a comparison of its actual data to its budgeted data which should result in more accurately reported balances.

Status

This finding has been resolved.

2017-002 Late Submission of Audit Report to the Louisiana Legislative Auditor

Condition Found

The Town's audit report for the fiscal year ending June 30, 2017 was not completed within the six month deadline as required by Louisiana Revised Statute 24:513A (a)(5)(i).

Status

This finding is being repeated in 2018 as Finding 2018-001.

2017-003 Violations of Louisiana Local Government Budget Act

First Reported 2015

Criteria or Specific Requirement

A budget should be prepared annually in accordance with the applicable Louisiana Revised Statutes whereby the entity is in compliance with:

- 39:1305 Budget preparation
- 39:1306 Completion and submission of the proposed budget
- 39:1307 Public participation
- 39:1308 Inspection of the proposed budget
- 39:1309 Adoption
- 39:1313 Budget filing
- 33:406 Enactment, recording, and publication of ordinances and resolutions

and if necessary during the year:

- 39:1310 Amending the budget

TOWN OF NEWELLTON
Newellton, Louisiana

Summary Status of Prior Year Findings
For the Year Ended June 30, 2018

And if a budget is not adopted:

39:1312 Governing authority's failure to make appropriation

This revised statute requires if a budget is not adopted, "then fifty percent of the amounts appropriated in the appropriation ordinance or resolution for the last completed fiscal year shall be deemed reappropriated for the several objects and purposes specified in such appropriation ordinance or resolution".

Status

This finding is being repeated in 2018 as Finding 2018-001.

2017-004 Violations of Louisiana Bid Law

First Reported 2017

Condition Found

The Town did not request bids for chemicals used in its operations during fiscal year 2017. Total payments to two vendors totaled \$51,704 which exceeds the \$30,000 threshold for requesting bids for materials and supplies.

Status

This finding has been resolved.

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

Francis I. Huffman, CPA
John Herman, CPA
Lynn Andries, CPA, CGMA
Esther Atteberry, CPA
Katie Jacola, CPA
Nancy T. Blankenship, CPA

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Town of Newellton
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Town of Newellton, Louisiana (the Town) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving
 - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

- g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results

The following exceptions were noted during the review of policies and procedures:

- a) ***Budgeting***- There were no written policies and procedures that address budgeting.
- b) ***Purchasing***- There were no written policies and procedures that address purchasing.
- c) ***Disbursements***- There were no written policies and procedures addressing disbursements.
- d) ***Receipts***- There were no written policies and procedures receipts.
- e) ***Payroll/Personnel***- There are no written policies and procedures addressing payroll.
- f) ***Contracting***- There were no written policies and procedures that address contracting.
- g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***- There were no written policies and procedures that address credit cards. (the Town does not have debit cards, fuel cards, P-cards)
- h) ***Travel and expense reimbursement***- There were no written policies and procedures that address travel and expense reimbursement.
- i) ***Ethics***- There were no written policies and procedures that address ethics.

Management's Response

The Town is currently working on preparing a policies and procedures manual.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.
 - c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting

during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Results

There were 12 exceptions related to procedure 2.b, as none of the monthly meeting minutes for fiscal year 2018 contained references to monthly budget-to-actual comparisons. The Board is presented with a listing of expenses along with the invoices at each monthly meeting; however, the listing does not include the budgeted amounts, and there is no reference to the listing in the minutes.

Management's Response

The Town will be preparing a monthly budget to actual report, present it to the board, and make reference to it in the minutes.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results

There were no exceptions noted as a result of applying agreed-upon procedures.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Results

With respect to procedure 5.a, as the Town Clerk and Utility Clerk share the same cash drawer. However, it should be noted that the Town does not accept currency (a sign is posted at the Town Hall location for all people paying at the payment window); rather, the only types of payments accepted are checks, money orders, and electronic. Additionally, when a check/money order is presented for payment, it is immediately stamped, "For Deposit Only", the stub is stamped "Paid" and initialed by the employee receiving the check/money order. Given the operational control exhibited by the Town, we consider this procedure to not have an exception.

With respect to procedure 5.b, we noted one possible exception as the Town Clerk and Utility Clerk have the ability to collect payments, but no cash is collected as previously noted, and also prepare and make deposits – with no mitigating controls. Typically, the Utility Clerk collects the checks/money orders and will prepare the deposit slip. At the end of the day, the Utility Clerk will print the collections shown on the billing software which should agree to the deposit amount. The Town Clerk or the Mayor will typically take the deposit to the bank but the deposit is also subject to being taken to the bank by the Utility Clerk. The Utility Clerk verifies that the amount deposited is in agreement with the Town's billing register for that day. Given the "no cash" policy, we do not consider this procedure to have an exception.

Regarding procedure 5.c and 5d, no cash is collected and therefore, given the "no cash" policy, we do not consider these procedures to have an exception. For clarification, the Utility Clerk does collect the payment, stamps the check upon opening the mail or presentation at the window and enters the check into the billing system. At the end of the day, the Utility Clerk lists all checks on the deposit slip which is compared to the billing system total for that day and is presented to the

Town Clerk who makes the deposit and gives the receipt back to the Town Clerk for comparison and for filing.

Regarding procedure 7.a, and 7.b, we noted that given the Town's controls that are in place as previously described, we do not consider these procedures to have exceptions with respect to the Town not issuing pre-numbered receipts. To be clear, the Town is able to produce a recap of what has been received on a daily basis and those amounts are traceable to the general ledger postings and no cash activity is involved.

In summary, based upon the above comments, there were no exceptions noted as a result of applying agreed-upon procedures.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Results

Town Hall is the only location that processes disbursements. As such, this was the only location tested. Regarding procedure 9.c, we encountered one possible exception as the Town Clerk processes payments and also has the ability to add/modify vendor files – but with the mitigating controls that the Town Clerk cannot sign checks (checks require two signatures (the Mayor and two board members are check signers) and coupled with all bank statements (which contains an image of each check, front and back)) are reviewed by the Mayor after the check has cleared and are subject to review by the board members. Therefore, even if a forgery was to occur, the review of the bank statements should allow management to discover an illegal activity. Given the Town's ability to address the initial exception, we believe that the Town has mitigated its segregation of

duties issue with controls to address that issue and therefore, do not consider this procedure as an exception.

With respect to procedure 9.d, we noted one possible exception as the Town Clerk processes checks and is also permitted to mail the checks. However, the Town requires two checks on each disbursement, the Town Clerk is not a check signer, and the Mayor does review the bank statements and the bank statements are subject to review by the board members. Given the Town's ability to address the initial exception, we believe that the Town has mitigated its segregation of duties issue with controls to address that issue and therefore, do not consider this procedure as an exception.

In summary, based upon the above comments, there were no exceptions noted as a result of applying agreed-upon procedures.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Results

With respect to procedure 12.b, we noted 3 exceptions as 3 months were assessed late fees totaling \$103. With respect to procedure 13, we noted 1 exception regarding the business purpose not being documented for a small purchase.

Management's Response

The credit card payments were late due to the lack of funds at the time of the due date. In the future, we will make payments on time to avoid late fees and interest charges.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results

With respect to procedure 14.a, we noted 5 exceptions as reimbursements for each of the 5 reimbursements tested exceeded LDOA & GSA standard rates. The total overpayment for all 5 transactions exceeded LDOA standard rates by \$36.

Management's Response

The Town will make the necessary changes to the new mileage rate.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results

The Town had three contracts during fiscal year 2018 and each were tested as required above. No exceptions were noted in applying the agreed-upon procedures.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Results

With respect to procedure 17.b, we encountered 5 exceptions as timecards for 5 employees tested showed no evidence of supervisory approval. It should be noted that leave does not accumulate and does not carry over into the next year.

Management's Response

We started signing off on all time cards after August of 2018 and will continue to do so in the future.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Results

Regarding procedure 20.b, we encountered 5 exceptions as Town employees/officials did not attest by signature verification that they read the ethics policy. It should be noted that the Town does not have a written ethics policy.

Management's Response

Moving forward, we will make adjustments as necessary. However, we are of the opinion that the hours reported on the time cards are an actual reflection of the hours worked.

Debt Service

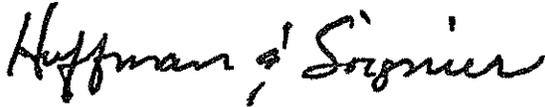
- 21. Not applicable...the Town does not have any debt.
- 22. Not applicable...the Town does not have any debt.

Other

- 23. Not applicable...the Town did not have any exceptions in the prior year.
- 24. Not applicable...the Town did not have any exceptions in the prior year.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



(A Professional Accounting Corporation)
Monroe, Louisiana

June 5, 2019