

TOWN OF NEW LLANO
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2009

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

Release Date 1/27/10

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December 16, 2009

Independent Auditors' Report

The Honorable Mayor
and Members of the Town Council
Town of New Llano, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of New Llano, as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town of New Llano's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of New Llano, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information listed in the accompanying table of contents are not a required part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding

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the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 16, 2009, on our consideration of the Town of New Llano's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of New Llano. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

TOWN OF NEW LLANO

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

This section of the Town of New Llano's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended June 30, 2009.

Overview of Financial Statements

The basic financial statements include government-wide financial statements and fund financial statements. These two types of financial statements present the Town's financial position and results of operations from differing perspectives which are described as follows:

Government –Wide Financial Statements

The government-wide financial statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. These report all revenues and expenses regardless of when cash is received or paid. Furthermore, the government-wide statements include all of the Town's assets (including infrastructure acquired after July 1, 2003) and all of the Town's liabilities (including long-term debt).

The government-wide financial statements are divided into two categories, which are described as follows:

- **Governmental Activities** – Expenses incurred in connection with providing basic services including police protection, fire protection, culture, recreation, public works, and general administration are reported as governmental activities. The governmental activities are financed by taxes, license fees, fines, court cost, interest, grants, and contributions.
- **Business-Type Activities** – Expenses associated with providing water and sewer services are recovered through fees paid by the customers that utilize these services. These activities are operated in a manner similar to commercial enterprises. Accordingly, activities associated with water and sewer services are reported as business type activities.

Fund Financial Statements

Fund financial statements provide detailed information regarding the Town's most significant activities and are not intended to provide information for the Town as a whole. Funds are accounting devices that are used to account for specific sources of funds. The Town has two types of funds that are described as follows:

- **Governmental Funds** – These funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, the governmental funds use a modified accrual basis of accounting that provides a short-term view of the Town's finances. Assets reported by governmental funds are limited to amounts that are available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets.

TOWN OF NEW LLANO

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

- **Proprietary Fund** – These funds are used to account for activities that function in a manner similar to commercial enterprises, including activities associated with the Town's water and sewer services. Proprietary fund financial statements typically provide a more detailed presentation of the information reported in the business-type activities portion of the government-wide financial statements.

Financial Analysis of the Town as a Whole

A comparative analysis of government-wide data is presented as follows:

Net Assets

A condensed version of the government-wide Statement of Net Assets is presented as follows:

	<u>June 30, 2009</u>			<u>For the</u>
	<u>Govern-</u>	<u>Business-</u>	<u>Total</u>	<u>Year Ended</u>
	<u>mental</u>	<u>Type</u>		<u>June 30,</u>
	<u>Activities</u>	<u>Activities</u>		<u>2008</u>
<u>Assets:</u>				
Current and Other Assets	\$ 350,287	\$ 491,563	\$ 841,850	\$ 1,058,506
Capital Assets	3,092,113	2,971,344	6,063,457	5,488,999
Total Assets	<u>3,442,400</u>	<u>3,462,907</u>	<u>6,905,307</u>	<u>6,547,505</u>
<u>Liabilities:</u>				
Current and Other Liabilities	149,764	217,400	367,164	335,717
Long-term Liabilities	1,372,135	638,000	2,010,135	2,123,596
Total Liabilities	<u>1,521,899</u>	<u>855,400</u>	<u>2,377,299</u>	<u>2,459,313</u>
<u>Net Assets:</u>				
Invested in Capital Assets (Net)	1,643,524	2,269,519	3,913,043	3,229,807
Restricted	133,969	329,826	463,795	746,785
Unrestricted	143,008	8,162	151,170	111,600
Total Net Assets	<u>\$ 1,920,501</u>	<u>\$ 2,607,507</u>	<u>\$ 4,528,008</u>	<u>\$ 4,088,192</u>

As the presentation appearing above demonstrates, the largest portion of the Town's net assets (86.4%) is invested in capital assets. Net assets invested in capital assets consist of land, buildings, equipment, and infrastructure less any debt used to acquire the assets that remains outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these amounts are not available for future spending.

An additional portion of the net assets (10.2%) represent resources that are subject to restrictions that are imposed by agreements with the Town's bondholders or requirements imposed by various revenue sources.

TOWN OF NEW LLANO

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

The remaining resources are unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

Changes in Net Assets

A condensed version of the government-wide Statement of Changes in Net Assets is presented as follows:

	<u>For the Year Ended June 30, 2009</u>			<u>For the</u> <u>Year Ended</u> <u>June 30,</u> <u>2008</u>
	<u>Govern-</u> <u>mental</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>	<u>Total</u>	
<u>Revenues:</u>				
Program Revenue:				
Charges for Services	\$ 384,849	\$ 706,667	\$ 1,091,516	\$ 1,082,924
Operating Grants and Contributions	17,103	---	17,103	18,141
Capital Grants and Contributions	375,000	---	375,000	30,968
General Revenue:				
Sales Taxes	165,189	---	165,189	141,258
Property Taxes	110,155	32,518	142,673	122,380
Franchise Taxes	107,292	---	107,292	107,370
Occupational Licenses	48,673	---	48,673	25,344
Miscellaneous	131,611	2,435	134,046	51,500
Total Revenue	1,339,872	741,620	2,081,492	1,579,885
<u>Program Expenses:</u>				
General Government	304,086	---	304,086	268,457
Public Safety	541,515	---	541,515	555,316
Streets, Drainage, & Recreation	152,911	---	152,911	74,796
Water	---	298,339	298,339	255,652
Sewer	---	274,441	274,441	359,374
Other	70,384	---	70,384	86,730
Total Expenses	1,068,896	572,780	1,641,676	1,600,325
Increase (Decrease) in Net Assets				
Before Transfers	270,976	168,840	439,816	(20,440)
Transfers	192,981	(192,981)	---	---
Change in Net Assets	463,957	(24,141)	439,816	(20,440)
Net Assets Beginning	1,456,544	2,631,648	4,088,192	4,108,632
Net Assets Ending	\$ 1,920,501	\$ 2,607,507	\$ 4,528,008	\$ 4,088,192

Governmental activities increased the Town's net assets by \$463,957. In addition to the transfer of resources from the business-type activities to cover expenses, there was a contribution of a street by a local developer and the annexation of a street by the Town.

TOWN OF NEW LLANO

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

Business-type activities decreased the Town's net assets by \$24,141. This decrease is the result of transferring excess funds to the governmental activities to cover necessary expenses.

Financial Analysis of the Town's Funds

An analysis of significant matters effecting the Town's funds is presented as follows:

- The Town's governmental funds reported combined fund balances of \$276,977 which represents a decrease of \$145,683 in comparison to the previous balance. This decrease is attributable to the Town expending the street bond funds that were approved by the voters.
- The Town's general fund, which is available for spending at the Town's discretion, reported a fund balance of \$147,365. The general fund balance increased by \$51,099. This increase is attributable to the transfer of resources from the business-type activities.
- Amounts reported for business-type activities in the Town's individual funds are identical to the business-type activities reported in the government-wide presentation.

General Fund Budget Highlights

The general fund is the only fund required by law to adopt a budget and the budget is amended as necessary. Some revisions to the original budget were necessary in order to address additional expenditures incurred.

Capital Asset Administration

Capital asset activity for the year ended June 30, 2009, is summarized as follows:

	Govern- mental Activities	Business- Type Activities	Total
Additions:			
Infrastructure	\$ 375,000	\$ ---	\$ 375,000
Improvements to Utility System	---	103,438	103,438
Street Improvements	207,396	---	207,396
Other	66,172	---	66,172
Total Additions	648,568	103,438	752,006
Depreciation	(93,308)	(84,240)	(177,548)
Net Increase (Decrease)	555,260	19,198	574,458
Beginning Capital Asset (Net)	2,536,853	2,952,146	5,488,999
Ending Capital Assets (Net)	\$ 3,092,113	\$ 2,971,344	\$ 6,063,457

Highlights of the Town's capital asset administration are provided as follows:

- The additions to the infrastructure include the donation by a local developer of a boulevard and the annexation of a road into the town limits.
- Improvements to the utility system include the extension of water and sewer services to a new shopping center and hotel.

TOWN OF NEW LLANO

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

- The Town used the funds from the street bonds to improve several streets.
- Other asset acquisitions include a fire truck and new computers.

Debt Administration

No new debt was issued during the current year. Remaining debt activity was limited to payment of principal and interest as these amounts become due.

Factors Expected to Effect Future Operations

Events and conditions that are expected to have a significant influence on future operations are highlighted as follows:

- The Town has received a Louisiana Community Development Block Stimulus Grant for street improvements.
- The Town will be extending sewer to the residences of the newly annexed areas.

TOWN OF NEW LLANO

STATEMENT OF NET ASSETS

June 30, 2009

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 141,992	\$ 77,487	\$ 219,479
Receivables (net)	74,326	84,250	158,576
Restricted cash and cash equivalents	133,969	329,826	463,795
Capital assets			
Non depreciable capital assets	207,155	28,835	235,990
Depreciable capital assets, net	<u>2,884,958</u>	<u>2,942,509</u>	<u>5,827,467</u>
Total assets	<u>3,442,400</u>	<u>3,462,907</u>	<u>6,905,307</u>
<u>LIABILITIES</u>			
Accounts payable	73,310	82,343	155,653
Accrued interest payable from restricted assets	19,553	7,825	27,378
Deposits due others	-	71,232	71,232
Long-term debt			
Due within one year	56,901	56,000	112,901
Due in more than one year	<u>1,372,135</u>	<u>638,000</u>	<u>2,010,135</u>
Total liabilities	<u>1,521,899</u>	<u>855,400</u>	<u>2,377,299</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	1,643,524	2,269,519	3,913,043
Restricted:			
Debt Service	59,114	128,393	187,507
Capital projects	74,855	201,433	276,288
Unrestricted	<u>143,008</u>	<u>8,162</u>	<u>151,170</u>
Total net assets (deficit)	<u>\$ 1,920,501</u>	<u>\$ 2,607,507</u>	<u>\$ 4,528,008</u>

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

TOWN OF NEW LLANO

STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
<u>Governmental Activities:</u>							
General Government	\$ 304,086	\$ -	\$ -	\$ -	\$ (304,086)	\$ -	\$ (304,086)
Public Safety							
Police Department	379,969	384,849	-	-	4,880	-	4,880
Fire Department	161,546	-	17,103	-	(144,443)	-	(144,443)
Streets, Drainage, & Recreation	152,911	-	-	375,000	222,089	-	222,089
Interest on Long-Term Debt	70,384	-	-	-	(70,384)	-	(70,384)
Total Governmental Activities	1,068,896	384,849	17,103	375,000	(291,944)	-	(291,944)
<u>Business-Type Activities:</u>							
Water	298,339	430,955	-	-	-	132,616	132,616
Sewer	274,441	275,712	-	-	-	1,271	1,271
Total Business-Type Activities	572,780	706,667	-	-	-	133,887	133,887
Total Primary Government	\$ 1,641,676	\$ 1,091,516	\$ 17,103	\$ 375,000	\$ (291,944)	\$ 133,887	\$ (158,057)

General Revenues:

Taxes:

Sales	165,189	-	165,189
Ad Valorem	110,155	32,518	142,673
Other	37,949	-	37,949

Licenses & Permits:

Franchise Fees	107,292	-	107,292
Occupational Licenses	48,673	-	48,673
Other Licenses	13,732	-	13,732
Other	79,930	2,435	82,365
Transfers	192,981	(192,981)	-

Total General Revenues and Transfers

	755,901	(158,028)	597,873
Change in Net Assets	463,957	(24,141)	439,816
Net Assets - Beginning	1,456,544	2,631,648	4,088,192
Net Assets Ending	\$ 1,920,501	\$ 2,607,507	\$ 4,528,008

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

TOWN OF NEW LLANO

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2009

	General	Street Improvements	Non-Major Funds	Total Governmental Funds
Assets				
Cash & cash equivalents	\$ 141,992	\$ -	\$ -	\$ 141,992
Receivables (net)	74,326	-	-	74,326
Restricted Cash	-	74,855	59,114	133,969
Total assets	\$ 216,318	\$ 74,855	\$ 59,114	\$ 350,287
Liabilities and Fund Balance				
<u>Liabilities</u>				
Accounts and other payables	\$ 68,953	\$ 4,357	\$ -	\$ 73,310
Total liabilities	68,953	4,357	-	73,310
<u>Fund Balance</u>				
Unreserved - Reported In				
General Fund	147,365	-	-	147,365
Capital Projects Fund	-	70,498	-	70,498
Debt Service Fund	-	-	59,114	59,114
Total Fund Balances	147,365	70,498	59,114	276,977
Total Liabilities and Fund Balance	\$ 216,318	\$ 74,855	\$ 59,114	\$ 350,287

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets

Total Fund Balances - Governmental Funds	\$ 276,977
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,092,113
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Fund Balance Sheet	(1,448,589)
Net Assets of Governmental Activities	\$ 1,920,501

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

TOWN OF NEW LLANO

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2009

	General	Streets Improvements	Non-Major Fund	Total Governmental Funds
Revenues:				
Taxes				
Ad Valorem	\$ 27,129	\$ -	\$ 83,026	\$ 110,155
Sales	165,189	-	-	165,189
Other	37,949	-	-	37,949
License and permits				
Occupational Licenses	48,673	-	-	48,673
Franchise	107,292	-	-	107,292
Other	13,732	-	-	13,732
Intergovernmental	35,971	-	-	35,971
Fines and fees	384,849	-	-	384,849
Miscellaneous	59,209	1,469	384	61,062
Total revenues	879,993	1,469	83,410	964,872
Expenditures:				
Current				
General Government	267,346	-	-	267,346
Public Safety				
Police Department	365,981	-	-	365,981
Fire Department	155,826	-	-	155,826
Streets, Drainage, & Recreation	116,051	-	-	116,051
Capital Expenditures	66,171	207,397	-	273,568
Debt Service	12,000	-	112,764	124,764
Total expenditures	983,375	207,397	112,764	1,303,536
Excess (deficiency) of revenues over expenditures	(103,382)	(205,928)	(29,354)	(338,664)
Other sources (uses)				
Operating transfers in (out)	154,481	-	38,500	192,981
Excess (Deficiency) of Revenues and Other Sources Over Over Expenditures and Other Uses	51,099	(205,928)	9,146	(145,683)
Fund balance - beginning of year	96,266	276,426	49,968	422,660
Fund balance - end of year	\$ 147,365	\$ 70,498	\$ 59,114	\$ 276,977

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

TOWN OF NEW LLANO

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

Year Ended June 30, 2009

Net change in fund balances of Governmental Funds	\$ (145,683)
Amounts 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 estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	180,260
Dedication of infrastructure by local developers does not provide current financial resources and is not reported as revenue by governmental funds.	375,000
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	<u>54,380</u>
Change in net assets of governmental activities	<u>\$ 463,957</u>

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

TOWN OF NEW LLANO

Statement of Net Assets

Proprietary Funds

June 30, 2009

	<u>Business-Type Activities</u>		
	<u>Water System</u>	<u>Sewer System</u>	<u>Total</u>
<u>ASSETS:</u>			
Current Assets:			
Cash and cash equivalents	\$ 77,487	\$ -	\$ 77,487
Receivables (net)	49,929	34,321	84,250
Total current assets	<u>127,416</u>	<u>34,321</u>	<u>161,737</u>
Restricted Assets:			
Cash and cash equivalents	-	329,826	329,826
Noncurrent Assets:			
Land	-	28,835	28,835
Depreciable capital assets, net	693,506	2,249,003	2,942,509
Total assets	<u>820,922</u>	<u>2,641,985</u>	<u>3,462,907</u>
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts & other payables	30,436	51,907	82,343
Deposits due others	71,232	-	71,232
Interfund Payable	89,635	(89,635)	-
Total current liabilities	<u>191,303</u>	<u>(37,728)</u>	<u>153,575</u>
Liabilities Payable From Restricted Assets:			
Accrued interest payable from restricted assets	-	7,825	7,825
Current portion of long-term debt	-	56,000	56,000
Noncurrent Liabilities:			
Long-term debt	-	638,000	638,000
Total liabilities	<u>191,303</u>	<u>664,097</u>	<u>855,400</u>
<u>NET ASSETS:</u>			
Invested in capital assets, net of related debt	693,506	1,576,013	2,269,519
Restricted:			
Debt Service	-	128,393	128,393
Capital Projects	-	201,433	201,433
Unrestricted	(63,887)	72,049	8,162
Total net assets (deficit)	<u>\$ 629,619</u>	<u>\$ 1,977,888</u>	<u>\$ 2,607,507</u>

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

TOWN OF NEW LLANO

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Funds

Year Ended June 30, 2009

	<u>Business-Type Activities</u>		
	<u>Water System</u>	<u>Sewer System</u>	<u>Total</u>
<u>Operating Revenues:</u>			
Charges for services	\$ 399,677	\$ -	\$ 399,677
Charges for services pledged as security for revenue bonds	-	275,712	275,712
Other	31,278	-	31,278
Total operating revenues	430,955	275,712	706,667
<u>Operating Expenses:</u>			
Water purchases	123,031	-	123,031
Salaries and wages	63,713	55,300	119,013
Materials, supplies, and maintenance	11,026	51,301	62,327
Office operations	24,971	8,252	33,223
Payroll taxes and expenses	7,256	6,252	13,508
Vehicle and travel	11,488	5,188	16,676
Insurance	18,359	17,169	35,528
Miscellaneous	8,783	10,521	19,304
Utilities and telephone	9,238	28,513	37,751
Depreciation	20,474	63,766	84,240
Total operating expenses	298,339	246,262	544,601
Operating Income (Loss)	132,616	29,450	162,066
<u>Nonoperating Revenues (Expenses):</u>			
Advalorem Taxes	-	32,518	32,518
Interest income	-	2,435	2,435
Interest expense	-	(28,179)	(28,179)
Change in Net Assets Before Contributions & Transfers	132,616	36,224	168,840
<u>Contributions and Transfers:</u>			
Transfers in (out)	(192,981)	-	(192,981)
Change in Net Assets	(60,365)	36,224	(24,141)
Total Net Assets - Beginning	689,984	1,941,664	2,631,648
Total Net Assets - Ending	\$ 629,619	\$ 1,977,888	\$ 2,607,507

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

TOWN OF NEW LLANO

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2009

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Totals
<u>Cash flow from operating activities:</u>			
Cash received from customers	\$ 431,622	\$ 273,669	\$ 705,291
Cash payments to suppliers of goods and services	(204,917)	(124,263)	(329,180)
Cash payments to employees for services	(63,645)	(54,589)	(118,234)
Net cash provided (used) by operating activities	<u>163,060</u>	<u>94,817</u>	<u>257,877</u>
<u>Cash flows from non-capital financing activities:</u>			
Advalorem taxes	-	32,518	32,518
Operating transfers in (out)	(192,981)	-	(192,981)
Change in interfund balances	45,056	(45,056)	-
Net cash provided (used) by non-capital financing activities	<u>(147,925)</u>	<u>(12,538)</u>	<u>(160,463)</u>
<u>Cash flows from capital and related financing activities:</u>			
Capital Expenditures	(50,417)	(53,021)	(103,438)
Principal paid on capital debt	-	(54,000)	(54,000)
Interest paid on capital debt	-	(28,577)	(28,577)
Net cash provided (used) by capital and related financing activities	<u>(50,417)</u>	<u>(135,598)</u>	<u>(186,015)</u>
<u>Cash flows from investing activities:</u>			
Interest and other income	-	2,435	2,435
Net cash provided (used) by investing activities	<u>-</u>	<u>2,435</u>	<u>2,435</u>
Net increase (decrease) in cash	(35,282)	(50,884)	(86,166)
Beginning cash balance	<u>112,769</u>	<u>380,710</u>	<u>493,479</u>
Ending cash balance	<u>77,487</u>	<u>329,826</u>	<u>407,313</u>
Restricted cash	-	<u>329,826</u>	<u>329,826</u>
Cash and cash equivalents	<u>\$ 77,487</u>	<u>\$ -</u>	<u>\$ 77,487</u>
<u>Reconciliation of operating income (loss) to net cash</u>			
Operating income (loss)	\$ 132,616	\$ 29,450	\$ 162,066
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	20,474	63,766	84,240
(Increase) decrease in accounts receivable	(2,673)	(2,043)	(4,716)
(Decrease) increase in operating accounts payable	9,235	2,933	12,168
(Decrease) increase in customer deposits	3,340	-	3,340
(Decrease) increase in accrued salaries	68	711	779
Net cash provided (used) by operating activities	<u>\$ 163,060</u>	<u>\$ 94,817</u>	<u>\$ 257,877</u>

Supplemental Disclosure of Cash Flow Information:

During the year ended June 30, 2009, there were no capital, operating, financing, or investing activities during the year that did not result in cash receipts or payments.

TOWN OF NEW LLANO

Notes To Financial Statements ***June 30, 2009***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

The Town of New Llano (the Town) was incorporated under the provisions of the Lawrason Act and operates under a Mayor-Board of Aldermen form of government. The Town provides various services including public safety (police and fire protection), streets and drainage, public improvements, utilities (water and sewerage), and general administrative services.

The accounting and reporting practices of the Town of New Llano, Louisiana conform to generally accepted accounting principles as applicable to governmental units on a consistent basis between periods.

The following is a summary of the more significant accounting policies.

Financial Reporting Entity

As the municipal governing authority, for reporting purposes, the Town of New Llano, Louisiana, is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government, (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 primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Town of New Llano, Louisiana, for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

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

TOWN OF NEW LLANO

Notes To Financial Statements

June 30, 2009

Based upon the above criteria, the Town of New Llano has no component units for the year ended June 30, 2009.

Basic Financial Statements

The basic financial statements include both government-wide and fund financial statements. Both government-wide and fund financial statements categorize activities as either governmental activities or business-type activities, which are described as follows:

- Governmental activities involve government services that are normally supported by taxes and intergovernmental revenues.
- Business-type activities rely on fees and charges for support and operate in a manner similar to private sector enterprises.

The government-wide and fund financial statements present the Town's financial position and results of operations from differing perspectives which are described as follows:

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the Town as a whole. The effect of most interfund activity is eliminated from these financial statements. Furthermore, government-wide financial statements exclude any fiduciary activities which are reported in the fund financial statements.

Program revenues reported in the Statement of Activities consist of amounts that are directly associated with a governmental service or business-type activity. Program revenues include charges for services, fines, court cost, contributions associated with a particular function, and most grants.

Fund Financial Statements

Funds are separate accounting entities that are designed to assist with demonstrating legal compliance and segregating transactions by activity. Separate financial statements are provided for governmental funds and proprietary funds. In addition, separate financial statements are presented for any fiduciary activities. Major individual funds are reported as separate columns in the fund financial statements. The Town's major funds are described as follows:

Governmental Funds

General Fund – The general fund is the primary operating fund and is used to account for all governmental activities.

Capital Projects Fund – The capital projects fund is used to account for the proceeds from general obligation bonds used for street improvements.

TOWN OF NEW LLANO

Notes To Financial Statements June 30, 2009

Business-Type Funds

Water and Sewer Funds – Are used to account for business type activities. The operations of the Town's Water System and Sewer System each utilize separate proprietary funds. Revenue earned in exchange for providing services is reported as operating income and revenue from other sources is reported as non-operating.

Business-type funds operate in a manner similar to business enterprises, these funds follow certain pronouncements that are developed by the Financial Accounting Standards Board (FASB) for business enterprises. However, the Town only applies those FASB pronouncements that were issued on or before November 30, 1989.

Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The basis of accounting and measurement focus used for various financial statement presentations are described below:

<u>Financial Statement Presentation</u>	<u>Basis of Accounting</u>	<u>Measurement Focus</u>
Government-Wide Financial Statements	Accrual Basis	Economic Resources
Fund Financial Statements:		
Governmental Funds	Modified Accrual Basis	Current Financial Resources
Proprietary Funds	Accrual Basis	Economic Resources
Fiduciary Funds	Accrual Basis	Economic Resources

Under the accrual basis of accounting and the economic resources measurement focus, revenues are recorded when earned and expenses are recorded when a liability is incurred.

Under the modified accrual basis of accounting and the current financial resources measurement focus revenue is recognized when it is considered measurable and available. Revenue is considered available if it is collected within 60 days of year end. In addition, expenses are generally recorded when a liability has been incurred; however, debt service, compensated absences, claims, and judgements are recorded as expenses when payment is made. Furthermore, when the current financial resources measurement focus is used, amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as an expenditure. In addition, long-term debts are excluded from amounts reported as liabilities. Proceeds from issuing long-term debt is reported as an other financing source and repayment of long-term debt is reported as an expenditure.

Non-Exchange Transactions

Revenue from certain non-exchange transactions cannot be properly measured prior to collection. Furthermore, it is not practical to determine the probability of collection resulting from certain non-exchange transactions such as traffic citations. Consequently, revenue from fines and court cost is not recognized until it is collected.

TOWN OF NEW LLANO

Notes To Financial Statements

June 30, 2009

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Restricted Assets

Restricted assets represent resources that must be expended in a specific manner. Restrictions of this nature are imposed by various contractual obligations including grant agreements and bond covenants. In situations where it is permissible to spend restricted resources, the Town typically depletes the available restricted resources before consuming unrestricted resources.

Budget Practices

The Mayor prepares an annual budget for the Town's general fund. This budget is submitted to the Town Council Members and an approved budget is adopted before the beginning of each fiscal year. Amended budgets are prepared prior to the conclusion of each fiscal year. The amended budgets are prepared and approved in the same manner as the original budget.

The general fund budget presents revenue and expenditures on a basis which is consistent with generally accepted accounting principles. No annual budget is required for the Town's Utility Fund.

Capital Assets

Infrastructure capital assets consisting of streets, bridges, sidewalks, and drainage systems acquired before July 1, 2003, are excluded from capital assets. Depreciation associated with capital assets is computed using the straight-line method over the estimated useful lives of the assets.

Capital assets, which include property, equipment, and infrastructure, are reported as assets in the applicable governmental or business-type columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Assets reported in the fund financial statements for governmental funds exclude capital assets. Instead, the governmental funds report the acquisition of capital assets as expenditures rather than asset acquisitions.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value when received by the Town.

Cash and Cash Equivalents and Investments

Amounts reported as cash and cash equivalents (restricted and unrestricted) include all cash on hand, cash in bank accounts, certificates of deposit, and highly liquid investments. Credit risk associated with bank deposits is limited by requiring fiscal agent banks to pledge securities as required by State Law. Furthermore, interest rate risk associated with certificates of deposits is typically mitigated by purchasing instruments that mature in one year or less.

TOWN OF NEW LLANO

Notes To Financial Statements

June 30, 2009

Encumbrance Accounting

Purchase orders, contracts, and other commitments to engage in future expenditures are referred to as encumbrances. Since encumbrances do not represent liabilities or current expenditures, encumbrances are not reported in the accompanying financial statements.

Internal Balances

Resources belonging to particular funds are commonly shared with other funds that need access to additional resources. When resources are provided without expectation of repayment, the transaction is reported as a transfer. Transfers are treated as a source of income by the recipient and as an expense or expenditure by the provider. If repayment is eventually expected to occur, interfund receivables and payables are recorded.

In preparing the government-wide financial statements, transfers are eliminated to present net transfers for governmental activities and business-type activities. In addition, interfund receivables and payables are eliminated to present a net internal balance for each type of activity.

Statement of Cash Flows

For the purpose of reporting cash flows, cash and cash equivalents includes all cash on hand, cash in banks, and certificates of deposit.

Compensated Absences

The Town does not accumulate any paid vacation, sick pay, or other employee benefit amounts because employees are not allowed to carry over significant amounts.

NOTE 2 - CASH AND CASH EQUIVALENTS

At June 30, 2009, cash and cash equivalents included the following amounts:

	Governmental Activities	Business-Type Activities	Total
Cash Deposited in Banks	\$ 275,861	\$ 407,313	\$ 683,174
Petty Cash	100	—	100
Total Cash	275,961	407,313	683,274
Restricted Cash	133,969	329,826	463,795
Cash and Cash Equivalents	\$ 141,992	\$ 77,487	\$ 219,479

Under state law, these deposits must be secured by Federal Deposit Insurance or the pledge of securities owned by the bank. The securities pledged are held in the name of the pledging bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2009, all deposits with financial institutions were covered by federal deposit insurance in the amount of \$574,666 and pledged securities (GASB Category 3) with a market value of \$1,218,064.

TOWN OF NEW LLANO

Notes To Financial Statements ***June 30, 2009***

Even though the pledged securities are considered Uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana law 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 pledging bank has failed to pay deposited funds upon demand.

NOTE 3 – TAXES

Ad Valorem Taxes

The Town bills and collects its own property taxes using assessed values determined by the Tax Assessor of Vernon Parish. For the year ended June 30, 2009, the Town has levied ad valorem taxes as follows:

<u>Description</u>	<u>Mills Levied</u>
Levied for general alimony as permitted by State Law. Revenue from taxes levied for general alimony is reported by the general fund.	4.00
Levied per proposition originally approved March 31, 2007 authorizing general obligation debt to run for 20 years payable from a levy of ad valorem taxes. Since these taxes are dedicated to debt service, revenue is reported in a debt service fund.	12.25
Levied per proposition originally approved March 31, 2007 authorizing general obligation debt to run for 20 years payable from a levy of ad valorem taxes. These taxes are dedicated to debt service. Since these bonds are for the Towns sewerage system, revenue will be reported in the sewerage system.	4.75
	<u>21.00</u>

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October and are actually billed to the taxpayers in November.

Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

Sales Taxes

Sales taxes are collected by the Parish of Vernon and remitted to the Town on a daily basis. For the year ended June 30, the Town has levied per propositions approved by the citizens of the Town of New Llano a tax for any lawful corporate purpose. The total percentages levied are 1.5%.

NOTE 4 - RECEIVABLES

The receivables at June 30, 2009, are as follows:

TOWN OF NEW LLANO

Notes To Financial Statements June 30, 2009

	Governmental Activities	Business-Type Activities	Total
<u>Accounts Receivable</u>			
Utility Customers	\$ ----	\$ 89,180	\$ 89,180
Franchise Fees	5,212	----	5,212
Video Bingo Receivables	37,949	----	37,949
Total Accounts Receivables	43,161	89,180	132,341
<u>Due From Other Governmental Units</u>			
Sales Taxes	21,665	----	21,665
Grant Funds	9,500	----	9,500
Total Receivables	74,326	89,180	163,506
Allowance for Doubtful Accounts	----	(4,930)	(4,930)
Receivables, net of allowance	\$ 74,326	\$ 84,250	\$ 158,576

NOTE 5 – CAPITAL ASSETS

A summary of the property and equipment at June 30, 2009, consists of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities</u>				
<u>Non Depreciable Capital Assets</u>				
Buildings and Land	\$ 207,155	\$ ----	\$ ----	\$ 207,155
Construction in progress	29,661	----	(29,661)	----
Total	236,816	----	(29,661)	207,155
<u>Capital Assets Being Depreciated</u>				
Buildings	1,382,152	----	----	1,382,152
Infrastructure	115,000	375,000	----	490,000
Improvements	1,166,521	237,057	----	1,403,578
Vehicles & Equipment	566,738	66,172	----	632,910
Total	3,230,411	678,229	----	3,908,640
Less Accumulated Depreciation	(930,374)	(93,308)	----	(1,023,682)
Total	2,300,037	584,921	----	2,884,958
Total Governmental Activities	\$ 2,536,853	\$ 584,921	\$ (29,661)	\$ 3,092,113

TOWN OF NEW LLANO

Notes To Financial Statements June 30, 2009

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Business-Type Activities</u>				
<u>Non Depreciable Capital Assets</u>				
Land	\$ 28,835	\$ —	\$ —	\$ 28,835
<u>Capital Assets Being Depreciated</u>				
Water Distribution System	814,472	50,416	—	864,888
Wastewater System	2,903,702	53,022	—	2,956,724
Vehicles & Equipment	94,485	—	—	94,485
Total	3,812,659	103,438	—	3,916,097
Less Accumulated Depreciation	(889,348)	(84,240)	—	(973,588)
Total Net of Depreciation	2,923,311	19,198	—	2,942,509
Total Business-Type	\$ 2,952,146	\$ 19,198	\$ —	\$ 2,971,344

Depreciation expense reported by various functions is presented as follows:

Governmental Activities:

General Government	\$ 36,740
Public Safety	19,708
Streets, Drainage, & Recreation	36,860
Total Depreciation – Governmental Activities	<u>\$ 93,308</u>

Business-Type Activities:

Water	\$ 20,474
Sewer	63,766
Total Depreciation – Business-Type Activities	<u>\$ 84,240</u>

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following is a summary of payables at June 30, 2009:

	<u>Governmental Activities</u>		
	<u>General Fund</u>	<u>Street Improvements</u>	<u>Total</u>
Payable to Vendors	\$ 47,541	\$ 4,357	\$ 51,898
Accrued Wages	17,396	—	17,396
Other	4,016	—	4,016
Total	<u>\$ 68,953</u>	<u>\$ 4,357</u>	<u>\$ 73,310</u>

TOWN OF NEW LLANO

Notes To Financial Statements June 30, 2009

	Business-Type Activities		
	Water System	Wastewater System	Total
Payable to Vendors	\$ 24,246	\$ 47,730	\$ 71,976
Other	6,190	4,177	10,367
Total Business-Type	<u>\$ 30,436</u>	<u>\$ 51,907</u>	<u>\$ 82,343</u>

NOTE 7 – LONG TERM DEBT

Debt attributable to the Town's business-type activities is summarized as follows:

	Governmental Activities	Business-Type Activities	Total
Note Payable	\$ 57,036	\$ —	\$ 57,036
Certificate of Indebtedness	638,000	—	638,000
General Obligation Bonds	734,000	284,000	1,018,000
Sewer Revenue bonds	—	410,000	410,000
Total Long-term Debt	1,429,036	694,000	2,123,036
Due Within One Year	(56,901)	(56,000)	(112,901)
Due in More Than One Year	<u>\$ 1,372,135</u>	<u>\$ 638,000</u>	<u>\$ 2,010,135</u>

Changes in the Town's long-term debt activity for the year ended June 30, 2009, is summarized as follows:

	Beginning Balance	Additions	Payments	Ending Balance
<u>Governmental Activities:</u>				
Note Payable	\$ 66,064	\$ —	\$ 9,028	\$ 57,036
Certificate of Indebtedness	660,000	—	22,000	638,000
General Obligation Bonds	757,000	—	23,000	734,000
Total Governmental Activities	<u>1,483,064</u>	<u>—</u>	<u>54,028</u>	<u>1,429,036</u>
<u>Business-Type Activities:</u>				
Revenue bonds	455,000	—	45,000	410,000
General Obligation Bonds	293,000	—	9,000	284,000
Total Business-Type Activities	<u>748,000</u>	<u>—</u>	<u>54,000</u>	<u>694,000</u>
Total Long-term Debts	<u>\$ 2,231,064</u>	<u>\$ —</u>	<u>\$ 108,028</u>	<u>\$ 2,123,036</u>

TOWN OF NEW LLANO

Notes To Financial Statements ***June 30, 2009***

Sewer Revenue Bonds

The Sewer Revenue Bonds constitute special obligations of the Town secured by a lien on and pledge of the net revenues of the utility system.

Sewer Revenue Bonds, dated August 30, 1996, due in annual installments ranging from \$33,920 to \$57,000, maturing March 1, 2017, bearing interest at a rate of 2.45%. Revenue generated by the Town's water and sewer system has been pledged to secure these bonds.

\$ 410,000

Note Payable

The Town has acquired real estate by entering into a note payable. The note and the outstanding balance at June 30, 2009, are described below:

A note payable dated June 3, 2005, executed in exchange for real estate, with an original balance of \$90,000, bearing interest at a rate of 5.00%, payable in 118 monthly installments of \$969.

\$ 57,036

Certificates of Indebtedness

The Town has issued certificates which are secured by and payable from a pledge of the excess of annual revenues above statutory, necessary and usual charges incurred by the Town. Certificates of indebtedness outstanding at June 30, 2009 are described as follows:

\$680,000 Certificates of Indebtedness, Series 2006 bearing interest at a rate of 5%. Principal is payable in annual installments ranging from \$20,000 to \$52,000, with the final installment due October 1, 2026. The certificates are callable for redemption at anytime after October 1, 2012.

\$ 638,000

General Obligation Bonds

The Town has issued general obligation bonds payable from property taxes levied in the manner provided by State Law. General obligation bonds outstanding at June 30, 2009 are described as follows:

\$775,000 General Obligation Refunding Bonds, Series 2007A dated August 1, 2007 with interest rates ranging from 1% to 6%. The bonds mature serially on March 1st of each year in amounts ranging from \$18,000 to \$62,000. Final maturity is scheduled for March 1, 2027, unless the Town elects to redeem the bonds prior to maturity. Bonds become subject to early redemption on March 1, 2017. The bonds are secured by the full faith and credit of the Town and a special tax levied on property subject to taxation within the boundaries of the Town.

\$ 734,000

TOWN OF NEW LLANO

Notes To Financial Statements ***June 30, 2009***

\$300,000 General Obligation Refunding Bonds, Series 2007B dated August 1, 2007 with interest rates ranging from 1% to 6%. The bonds mature serially on March 1st of each year in amounts ranging from \$7,000 to \$24,000. Final maturity is scheduled for March 1, 2027, unless the Town elects to redeem the bonds prior to maturity. Bonds become subject to early redemption on March 1, 2017. The bonds are secured by the full faith and credit of the Town and a special tax levied on property subject to taxation within the boundaries of the Town.

	284,000
Total General Obligation Bonds	\$ 1,018,000

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for the years subsequent to June 30, 2009, are as follows:

	Principal Installments					
	Certificates of Indebtedness	Note Payable	Revenue Bonds	General Obligations	Total	Interest
<u>Governmental Activities</u>						
2010	\$ 23,000	\$ 8,901	\$ ---	\$ 25,000	\$ 56,901	\$ 68,790
2011	24,000	9,356	---	26,000	59,356	66,660
2012	25,000	9,835	---	28,000	62,835	64,176
2013	26,000	10,338	---	29,000	65,338	61,278
2014	28,000	10,867	---	31,000	69,867	58,095
2015-2019	159,000	7,739	---	180,000	346,739	238,561
2020-2024	205,000	---	---	238,000	443,000	145,703
2025-2028	148,000	---	---	177,000	325,000	30,200
Total Governmental	\$ 638,000	\$ 57,036	\$ ---	\$ 734,000	\$ 1,429,036	\$ 733,463

Business-type Activities

2010	\$ ---	\$ ---	\$ 46,000	\$ 10,000	\$ 56,000	\$ 25,528
2011	---	---	48,000	10,000	58,000	23,970
2012	---	---	49,000	11,000	60,000	22,254
2013	---	---	50,000	11,000	61,000	20,370
2014	---	---	52,000	12,000	64,000	18,400

TOWN OF NEW LLANO

Notes To Financial Statements June 30, 2009

	Principal Installments					
	Certificates of Indebtedness	Note Payable	Revenue Bonds	General Obligations	Total	Interest
2015-2019	---	---	165,000	71,000	236,000	59,776
2020-2024	---	---	---	90,000	90,000	31,602
2025-2028	---	---	---	69,000	69,000	7,330
Total						
Business-Type	\$ ---	\$ ---	\$ 410,000	\$ 284,000	\$ 694,000	\$ 209,230

The total interest charged to expense for the current year is \$98,562.

NOTE 8 - WATER CONTRACT

The Town has a contract with the City of Leesville for the purchase of water. The contract has a primary term of four (4) years commencing January 1, 2007. There are no minimum payments required under the contract except for amounts of actual delivery, with the rates set at one dollar thirty-five cents (\$1.35) per one thousand (1,000) gallons until December 31, 2007. The rate for actual delivery per one thousand (1,000) gallons will increase to one dollar forty-five cents (\$1.45) until December 31, 2008, one dollar fifty-five cents (\$1.55) until December 31, 2009, and one dollar sixty-five cents (\$1.65) until December 31, 2010.

NOTE 9 - RISK MANAGEMENT

The Town of New Llano is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks of loss are covered by a comprehensive commercial insurance policy and participation in a public entity risk pool that operates as a common insurance program. Claims resulting from these risks have historically not exceeded insurance coverage.

NOTE 10 - COMPENSATION OF ELECTED OFFICIALS

For the year ended June 30, 2009, the amounts of salaries and wages paid to the Mayor and Town Council Members were as follows:

Name	Position	Salary
Freddie Boswell	Mayor	\$ 26,000
Carolyn Todd	Councilwoman	3,250
Terry Speicher	Councilman	3,250
Ervin Wilson	Councilman	3,250
Charles Balthrop	Councilman	3,250
Charlotte Cooper	Councilwoman	3,250
Totals		\$ 42,250

TOWN OF NEW LLANO

Notes To Financial Statements June 30, 2009

NOTE 11- PENSION PLAN

Substantially all employees of the Town of New Llano, Louisiana, are members of the Municipal Employees Retirement Systems of Louisiana. This system is a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. Pertinent information relative to the plan follows:

Plan Description. 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 B.

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. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2 percent of their final average monthly salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3 percent for each year retirement precedes age 62, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100 percent of final average salary. Final average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That 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.

Funding Policy. Under Plan B, members are required by state statute to contribute 5.0 percent of their annual covered salary and the Town of New Llano is required to contribute at an actuarially determined rate. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town of New Llano are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The total pension expense for the year ended June 30, 2009 is \$9,151.

NOTE 12- RESTRICTED RESOURCES

Bond covenants require the Town to establish bank accounts which serve as debt service and depreciation reserves. Funds may be disbursed from these accounts only under specific circumstances

TOWN OF NEW LLANO

Notes To Financial Statements June 30, 2009

described by the bond covenants. Amounts on deposit in these accounts are reported as restricted cash. In addition the corresponding amounts of net assets are also presented as restricted net assets.

NOTE 13 – INTERFUND BALANCES

As discussed in Note 1, interfund transactions arise when the water fund disburses funds on behalf of the sewer fund. The balance outstanding at June 30, 2009,

	<u>Business-Type</u>	
	<u>Water Fund</u>	<u>Sewer Fund</u>
Interfund Receivable	\$ —	\$ 89,635
Interfund Payable	89,635	—
Total Business-Type	<u>\$ 89,635</u>	<u>\$ 89,635</u>

NOTE 14 – TRANSFERS

In the ordinary course of business, the Town routinely transfers resources between its funds to cover payroll, related liabilities, and other expenses. A description of the transfers is presented below:

	<u>Governmental Activities</u>			<u>Business- Type</u>
	<u>General Fund</u>	<u>Non- Major</u>	<u>Total</u>	<u>Water Fund</u>
<u>Transfers In</u>				
Transfer excess utility revenues to the general fund	\$ 192,981	\$ —	\$ 192,981	\$ —
Transfers to debt service fund as required by bond indenture	—	38,500	38,500	—
Total Transfers In	<u>192,981</u>	<u>38,500</u>	<u>231,481</u>	<u>—</u>
<u>Transfers Out</u>				
Transfer excess utility revenues to the general fund	—	—	—	192,981
Transfers to debt service fund as required by bond indenture	38,500	—	38,500	—
Total Transfers Out	<u>38,500</u>	<u>—</u>	<u>38,500</u>	<u>192,981</u>
Net Transfers	<u>\$ 154,481</u>	<u>\$ 38,500</u>	<u>\$ 192,981</u>	<u>\$ (192,981)</u>

NOTE 15 – LITIGATION

Existing conditions that may have financial consequences in the future are referred to as contingencies. Contingencies existing at June 30, 2009, are described as follows:

TOWN OF NEW LLANO

Notes To Financial Statements ***June 30, 2009***

Town Boundary

The Town has engaged in litigation intended to resolve uncertainty regarding an annexation dispute. It is not anticipated that there will not be any monetary damages to the Town regarding the litigation; however, legal fees are estimated to be \$150,000.

NOTE 16 – BUDGET VIOLATION

The general fund experienced an unfavorable variance in excess of 5% as allowed by state law. The violation is summarized below:

	<u>Expenditures and Other Uses</u>	<u>Budgeted Appropriation</u>	<u>Excess Expenditures</u>
General Fund	\$ 983,375	\$ 908,300	\$ 75,075

TOWN OF NEW LLANO

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual - Year Ended June 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Taxes				
Ad Valorem	\$ 21,000	\$ 30,000	\$ 27,129	\$ (2,871)
Sales	140,000	150,000	165,189	15,189
Other	-	-	37,949	37,949
License and permits				
Occupational Licenses	20,000	35,000	48,673	13,673
Franchise	105,000	105,000	107,292	2,292
Other	16,000	10,000	13,732	3,732
Intergovernmental	38,000	36,000	35,971	(29)
Fines and fees	385,000	380,000	384,849	4,849
Miscellaneous	18,000	32,500	59,209	26,709
Total revenues	743,000	778,500	879,993	101,493
General Government:				
Salary - mayor and aldermen	41,000	42,000	42,250	(250)
Salaries - other	31,210	30,000	25,851	4,149
Office operations	12,000	12,000	14,525	(2,525)
Payroll taxes and expenses	6,548	6,700	6,179	521
Insurance	22,530	45,000	27,848	17,152
Professional fees	78,000	52,000	67,569	(15,569)
Miscellaneous	9,200	11,000	35,486	(24,486)
Utilities and telephone	14,000	15,000	6,710	8,290
Magistrate				
Salaries	34,880	32,000	31,205	795
Payroll taxes and expenses	18,486	18,500	9,723	8,777
Total general government	267,854	264,200	267,346	(3,146)
Public Safety:				
Police				
Salaries	188,610	185,000	187,478	(2,478)
Payroll taxes and expenses	23,258	23,800	18,765	5,035
Mayors court	30,000	25,000	22,516	2,484
Office operations	12,000	22,000	23,959	(1,959)
Vehicle operations	30,000	20,000	24,087	(4,087)
Insurance	61,380	50,000	49,959	41
Prisoner expense	3,000	4,000	4,297	(297)
Miscellaneous	22,020	25,600	34,920	(9,320)
Police total	370,268	355,400	365,981	(10,581)

Continued...

TOWN OF NEW LLANO

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual - Year Ended June 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<u>Public Safety: (continued)</u>				
Total Police	370,268	355,400	365,981	(10,581)
Fire				
Salaries	92,980	101,000	102,699	(1,699)
Payroll taxes and expenses	12,306	12,000	8,566	3,434
Insurance	18,510	15,000	16,470	(1,470)
Miscellaneous	12,000	31,000	28,091	2,909
Total Fire	135,796	159,000	155,826	3,174
 Total public safety	 506,064	 514,400	 521,807	 (7,407)
<u>Streets, Drainage, & Recreation</u>				
Salaries	25,350	15,000	34,679	(19,679)
Payroll taxes and expenses	1,938	1,200	2,485	(1,285)
Utilities	25,000	27,000	26,627	373
Repairs and maintenance	18,000	10,000	18,609	(8,609)
Miscellaneous	7,650	3,000	15,951	(12,951)
Recreation	15,878	10,000	17,700	(7,700)
 Total streets, drainage, & recreation	 93,816	 66,200	 116,051	 (49,851)
 Capital Expenditures	 -	 51,500	 66,171	 (14,671)
 Debt Service	 12,000	 12,000	 12,000	 -
 Total expenditures	 879,734	 908,300	 983,375	 (75,075)
 Excess (deficiency) of revenues over expenditures	 (136,734)	 (129,800)	 (103,382)	 26,418
 Other sources (uses) Operating transfers in (out)	 150,000	 200,000	 154,481	 (45,519)
 Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	 13,266	 70,200	 51,099	 (19,101)
 Fund balance - beginning of year (restated)	 3,336	 96,266	 96,266	 -
 Fund balance - end of year	 \$ 16,602	 \$ 166,466	 \$ 147,365	 \$ (19,101)

TOWN OF NEW LLANO

Combining Balance Sheet Non Major Governmental Funds June 30, 2009

	Town Hall Sinking Fund	Series 2007A	Non-Major Funds
Assets			
Restricted Cash	\$ 1,410	\$ 57,704	\$ 59,114
Total assets	\$ 1,410	\$ 57,704	\$ 59,114
Liabilities and Fund Balance			
<u>Liabilities</u>			
Accounts and other payables	\$ -	\$ -	\$ -
Total liabilities	-	-	-
<u>Fund Balance</u>			
Unreserved - Reported In			
Debt Service Fund	1,410	57,704	59,114
Total Fund Balances	1,410	57,704	59,114
Total Liabilities and Fund Balance	\$ 1,410	\$ 57,704	\$ 59,114

TOWN OF NEW LLANO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Non Major Governmental Funds Year Ended June 30, 2009

	Town Hall Sinking Fund	Series 2007A	Non-Major Fund
<u>Revenues:</u>			
Taxes			
Ad Valorem	\$ -	\$ 83,026	\$ 83,026
Miscellaneous	37	347	384
Total revenues	<u>37</u>	<u>83,373</u>	<u>83,410</u>
<u>Expenditures:</u>			
Capital Expenditures	-	-	-
Debt Service	54,450	58,314	112,764
Total expenditures	<u>54,450</u>	<u>58,314</u>	<u>112,764</u>
Excess (deficiency) of revenues over expenditures	(54,413)	25,059	(29,354)
Other sources (uses)			
Operating transfers in (out)	38,500	-	38,500
Excess (Deficiency) of Revenues and Other Sources Over Over Expenditures and Other Uses	(15,913)	25,059	9,146
Fund balance - beginning of year	<u>17,323</u>	<u>32,645</u>	<u>49,968</u>
Fund balance - end of year	<u>\$ 1,410</u>	<u>\$ 57,704</u>	<u>\$ 59,114</u>

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RETIRED - 2005

December 16, 2009

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

The Honorable Freddie Boswell, Mayor
And the Board of Alderman
Town of New Llano, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of New Llano, Louisiana (the Town), as of and for the year ended June 30, 2009, which collectively comprise the basic financial statements and have issued our report thereon dated December 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of New Llano's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance (Finding 2009-1) of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of New Llano's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Town of New Llano's internal control over financial reporting. Accordingly, we do

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not express an opinion on the effectiveness of the Town of New Llano's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of New Llano's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of New Llano's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all matters in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended for the information of management. However, this report is a matter of public record and its distribution is not limited.



ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

Town of New Llano, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Part I - Summary of Auditor's Results:

- The Independent Auditor's Report on the financial statements for the Town of New Llano as of June 30, 2009, and for the year then ended expressed an unqualified opinion.
- The results of the audit disclosed one instance (2009-1) of noncompliance that is considered to be material to the financial statements of the Town of New Llano.
- The audit did not disclose an audit finding which is required to be reported as a significant deficiency in internal control over financial reporting.
- The Town was not required to have a Single Audit; therefore, none of the reporting required by OMB Circular A-133 was required.

Part II - Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards:

- **Finding 2009-1. Budget Variance:**
The Town's general fund expenditures and other uses experienced an unfavorable budget variance greater than five percent of final budget amounts.

Part III - Findings and Questioned Costs for Federal Awards Which Shall Include Audit Findings as Defined by OMB Circular A-133:

- None

**Town of New Llano, Louisiana
Management's Corrective Action Plan
For the Year Ended June 30, 2009**

**SECTION I - INTERNAL CONTROL AND COMPLIANCE
MATERIAL TO THE FINANCIAL STATEMENTS**

Finding 2009-1. Budget Variance:

The Town's general fund expenditures and other uses experienced an unfavorable budget variance greater than five percent of final budget amounts.

Response:

We will more closely monitor the budget in the future and amend the budget as necessary.

**SECTION II - INTERNAL CONTROL AND
COMPLIANCE MATERIAL TO FEDERAL AWARDS**

Finding - N/A - There were no findings in this area.

Response - N/A

SECTION III - MANAGEMENT LETTER

Finding - N/A - There were no findings in this area.

Response - N/A

Town of New Llano, Louisiana
Schedule of Prior Year Findings
For the Year Ended June 30, 2009

SECTION I – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
N/A – There were no findings in this area.	Response – N/A
SECTION II – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
N/A – There were no findings in this area.	Response - N/A
SECTION III – MANAGEMENT LETTER	
N/A – There were no findings in this area.	Response - N/A