

TOWN OF COTTONPORT, LOUISIANA

Financial Report

Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

* A Professional Accounting Corporation

The Honorable William F. Scott, III, Mayor
and Members of the Town Council
Town of Cottonport, Louisiana

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Cottonport, Louisiana, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Cottonport, Louisiana's basic financial statements as listed in the table of contents.

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, the discretely presented component unit, and each major fund of the Town, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Cottonport's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit 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 Town's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules, schedules of employer's share of net pension liability, and employer contributions on pages 45 through 49 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.

The Town of Cottonport has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Cottonport, Louisiana's basic financial statements. The schedule of compensation paid to council members, schedule of compensation, benefits, and other payments to agency head, justice system funding schedule – collecting/disbursing entity and the LCDBG program financial statements on pages 56 through 60 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of compensation paid to council members, schedule of compensation, benefits, and other payments to agency head, justice system funding schedule – collecting/disbursing entity and the LCDBG program financial statements on pages 56 through 60 are the responsibility of management and were 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 schedule of compensation paid to council members, schedule of compensation, benefits, and other payments to agency head, justice system funding schedule – collecting/disbursing entity and the LCDBG program financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The detailed budgetary comparison schedules and the utility fund departmental analysis of revenues and expenses on pages 52 through 55 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated July 27, 2023 on our consideration of the Town of Cottonport, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Town of Cottonport, Louisiana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Cottonport, Louisiana's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Alexandria, Louisiana
July 27, 2023

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

TOWN OF COTTONPORT, LOUISIANA

Statement of Net Position

June 30, 2022

	Primary Government			Component
	Governmental		Total	Unit
	Activities	Business-Type Activities		Total
ASSETS				
Cash and cash equivalents	\$ 566,915	\$ 235,075	\$ 801,990	\$ 52,894
Receivables, net	36,443	98,588	135,031	-
Other receivables	38,862	6,496	45,358	38
Accrued interest	-	1,220	1,220	-
Interfund balances	(31,411)	31,411	-	-
Due from other governmental agencies	-	29,661	29,661	-
Restricted assets:				
Cash and cash equivalents	1,222	231,145	232,367	-
Capital assets:				
Nondepreciable	136,031	686,418	822,449	-
Depreciable capital assets, net	<u>1,005,914</u>	<u>2,352,655</u>	<u>3,358,569</u>	<u>25,595</u>
Total assets	<u>1,753,976</u>	<u>3,672,669</u>	<u>5,426,645</u>	<u>78,527</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pension	<u>18,070</u>	<u>33,560</u>	<u>51,630</u>	<u>-</u>
LIABILITIES				
Accounts and other payables	22,866	42,674	65,540	-
Construction and retainage payable	-	66,878	66,878	-
Accrued interest payable	-	3,048	3,048	-
Customers deposits	-	68,420	68,420	-
Amount held in escrow	1,222	-	1,222	-
Long-term liabilities:				
Capital lease obligations due within one year	53,308	-	53,308	-
Bonds payable due within one year	91,000	41,000	132,000	-
Capital lease obligations due in more than one year	193,034	-	193,034	-
Bonds payable due in more than one year	-	88,000	88,000	-
Net pension liability	<u>55,406</u>	<u>102,896</u>	<u>158,302</u>	<u>-</u>
Total liabilities	<u>416,836</u>	<u>412,916</u>	<u>829,752</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pension	17,858	33,164	51,022	-
Unearned revenues	<u>331,409</u>	<u>-</u>	<u>331,409</u>	<u>-</u>
Total deferred inflows of resources	<u>349,267</u>	<u>33,164</u>	<u>382,431</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	804,603	2,884,195	3,688,798	25,595
Restricted for:				
Public safety and public works	194,737	-	194,737	-
Capital outlay	-	223	223	-
Debt service	-	118,677	118,677	-
Unrestricted net position	<u>6,603</u>	<u>257,054</u>	<u>263,657</u>	<u>52,932</u>
Total net position	<u>\$ 1,005,943</u>	<u>\$ 3,260,149</u>	<u>\$ 4,266,092</u>	<u>\$ 78,527</u>

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

TOWN OF COTTONPORT, LOUISIANA
Statement of Activities
For the Year Ended June 30, 2022

Activities	Primary Government						Component Unit
	Expenses	Fees, Fines and Charges for Services	Capital Grants and Contributions	Net (Expense) Revenues and Change in Net Position			Total
				Governmental Activities	Business-Type Activities	Total	
Governmental activities:							
General government	\$ 292,269	\$ -	\$ -	\$ (292,269)	\$ -	\$ (292,269)	
Public safety	424,591	49,776	-	(374,815)	-	(374,815)	
Public works	234,615	-	10,292	(224,323)	-	(224,323)	
Interest	11,166	-	-	(11,166)	-	(11,166)	
Total governmental activities	<u>962,641</u>	<u>49,776</u>	<u>10,292</u>	<u>(902,573)</u>	<u>-</u>	<u>(902,573)</u>	
Business-type activities:							
Water and Sewer	874,814	783,042	59,783	-	(31,989)	(31,989)	
Total	<u>\$ 1,837,455</u>	<u>\$ 832,818</u>	<u>\$ 70,075</u>	<u>(902,573)</u>	<u>(31,989)</u>	<u>(934,562)</u>	
Component unit	<u>\$ 152,615</u>	<u>\$ -</u>	<u>\$ -</u>				\$ (152,615)
General revenues:							
Taxes -							
Property taxes, levied for general purposes				54,975	-	54,975	-
Property taxes, levied for specific purposes				-	-	-	98,248
Sales and use taxes, levied for general purposes				455,255	-	455,255	-
Franchise taxes				104,858	-	104,858	-
Licenses and permits				83,996	-	83,996	-
Intergovernmental				137,745	-	137,745	16,146
Interest and investment earnings				208	494	702	-
Miscellaneous				83,689	-	83,689	174
Gain on sale of assets				-	-	-	35,000
Nonemployer pension contributions				2,390	4,440	6,830	-
Transfers				58,752	(58,752)	-	-
Total general revenues				<u>981,868</u>	<u>(53,818)</u>	<u>928,050</u>	<u>149,568</u>
Change in net position				79,295	(85,807)	(6,512)	(3,047)
Net position - beginning				<u>926,648</u>	<u>3,345,956</u>	<u>4,272,604</u>	<u>81,574</u>
Net position - ending				<u>\$ 1,005,943</u>	<u>\$ 3,260,149</u>	<u>\$ 4,266,092</u>	<u>\$ 78,527</u>

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

FUND FINANCIAL STATEMENTS (FFS)

TOWN OF COTTONPORT, LOUISIANA

Balance Sheet
Governmental Funds
June 30, 2022

	<u>General</u>	<u>Sales Tax</u>	<u>Debt Service</u>	<u>Totals</u>
ASSETS				
Cash and cash equivalents	\$ 408,089	\$ 158,826	\$ -	\$ 566,915
Receivables:				
Taxes	-	36,443	-	36,443
Other	38,862	-	-	38,862
Cash - restricted	<u>1,222</u>	<u>-</u>	<u>-</u>	<u>1,222</u>
Total assets	<u>\$ 448,173</u>	<u>\$ 195,269</u>	<u>\$ -</u>	<u>\$ 643,442</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 22,334	\$ 532	\$ -	\$ 22,866
Due to other funds	31,411	-	-	31,411
Amount held in escrow	<u>1,222</u>	<u>-</u>	<u>-</u>	<u>1,222</u>
Total liabilities	<u>54,967</u>	<u>532</u>	<u>-</u>	<u>55,499</u>
Deferred inflows of resources:				
Unearned grant revenues	<u>331,409</u>	<u>-</u>	<u>-</u>	<u>331,409</u>
Fund balances:				
Restricted	-	194,737	-	194,737
Unassigned	<u>61,797</u>	<u>-</u>	<u>-</u>	<u>61,797</u>
Total fund balances	<u>61,797</u>	<u>194,737</u>	<u>-</u>	<u>256,534</u>
Total liabilities and fund balances	<u>\$ 448,173</u>	<u>\$ 195,269</u>	<u>\$ -</u>	<u>\$ 643,442</u>

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

TOWN OF COTTONPORT, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2022

Total fund balances for governmental funds		\$	256,534
Total net position reported for governmental activities in the statement of net position is different because:			
Capital assets, net			1,141,945
Long-term liabilities:			
Capital lease payable	\$	(246,342)	
Bond payable		(91,000)	
Net pension liability		<u>(55,406)</u>	(392,748)
Deferred outflows of resources related to net pension liability			18,070
Deferred inflows of resources related to net pension liability			<u>(17,858)</u>
Net position at June 30, 2022		\$	<u>1,005,943</u>

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

TOWN OF COTTONPORT, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2022

	General	Sales Tax Fund	Debt Service	Totals
Revenues:				
Taxes	\$ 159,833	\$ 455,255	\$ -	\$ 615,088
Licenses and permits	83,996	-	-	83,996
Intergovernmental	148,037	-	-	148,037
Fines and forfeits	49,776	-	-	49,776
Miscellaneous	83,744	153	-	83,897
Total revenues	525,386	455,408	-	980,794
Expenditures:				
Current -				
General government	278,456	6,281	-	284,737
Public safety:				
Police	356,171	-	-	356,171
Fire	18,771	-	-	18,771
Court	2,169	-	-	2,169
Public works	216,822	-	-	216,822
Capital outlay	153,169	-	-	153,169
Debt service -				
Principal	58,580	-	88,000	146,580
Interest	6,064	-	5,102	11,166
Total expenditures	1,090,202	6,281	93,102	1,189,585
Excess (deficiency) of revenues over expenditures	(564,816)	449,127	(93,102)	(208,791)
Other financing sources (uses):				
Transfers in	522,475	-	93,102	615,577
Transfers out	(46,133)	(510,692)	-	(556,825)
Proceeds from capital lease	121,851	-	-	121,851
Total other financing sources (uses)	598,193	(510,692)	93,102	180,603
Net changes in fund balances	33,377	(61,565)	-	(28,188)
Fund balances, beginning	28,420	256,302	-	284,722
Fund balances, ending	\$ 61,797	\$ 194,737	-	\$ 256,534

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

TOWN OF COTTONPORT, LOUISIANA

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2022

Total net changes in fund balance per Statement of Revenues, Expenditures and Changes in Fund Balances		\$ (28,188)
Capital assets:		
Capital outlay	\$ 153,169	
Depreciation expense	<u>(107,768)</u>	45,401
Capital assets:		
Proceeds from capital lease	(121,851)	
Principal paid on capital lease	58,580	
Principal paid on bonds payable	<u>88,000</u>	24,729
Effect of change in net pension liability and the related deferred inflows and outflows of resources:		
Nonemployer pension contributions recognized	2,390	
Change in pension expense	<u>34,963</u>	<u>37,353</u>
Total changes in net position per Statement of Activities		<u>\$ 79,295</u>

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

TOWN OF COTTONPORT, LOUISIANA
Statement of Net Position
Proprietary Fund
June 30, 2022

	Water and Sewer
ASSETS	
Current asset:	
Cash and cash equivalents	\$ 235,075
Receivables:	
Accounts, net	98,588
Accrued interest	1,220
Other	6,496
Due from other funds	31,411
Due from other governmental agencies	29,661
Total current assets	402,451
Noncurrent assets:	
Restricted assets -	
Cash and cash equivalents	231,145
Capital assets:	
Nondepreciable	686,418
Depreciable capital assets, net	2,352,655
Total noncurrent assets	3,270,218
Total assets	3,672,669
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pension	33,560
LIABILITIES	
Current liabilities:	
Accounts payable	42,674
Construction and retainage payable	66,878
Payable from restricted assets -	
Revenue bonds payable	41,000
Accrued interest payable	3,048
Total current liabilities	153,600
Noncurrent liabilities:	
Customers' deposits	68,420
Revenue bonds payable	88,000
Net pension liability	102,896
Total noncurrent liabilities	259,316
Total liabilities	412,916
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pension	33,164
NET POSITION	
Net investment in capital assets	2,884,195
Restricted - debt service	118,677
Restricted - capital outlay	223
Unrestricted net position	257,054
Total net position	\$3,260,149

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

TOWN OF COTTONPORT, LOUISIANA

Statement of Revenues, Expenses, and Changes in Net Position -
 Proprietary Fund
 For the Year Ended June 30, 2022

	<u>Water and Sewer</u>
Operating revenues:	
Charges for services -	
Water service charges	\$ 556,902
Sewer service charges	203,765
Installation and other charges	<u>22,375</u>
Total operating revenues	<u>783,042</u>
Operating expenses:	
Salaries and related benefits	202,238
Supplies	116,906
Maintenance and repairs	151,469
Gas and oil	10,339
Utilities and telephone	159,477
Depreciation expense	128,858
Other operating expenses	<u>98,495</u>
Total operating expenses	<u>867,782</u>
Operating loss	<u>(84,740)</u>
Nonoperating revenues (expenses):	
Grant revenues	59,783
Interest income	494
Non-employer pension contributions	4,440
Interest expense	<u>(7,032)</u>
Total nonoperating revenues (expenses)	<u>57,685</u>
Loss before transfers	<u>(27,055)</u>
Transfers in (out):	
Transfers out	<u>(58,752)</u>
Change in net position	(85,807)
Net position, beginning	<u>3,345,956</u>
Net position, ending	<u>\$3,260,149</u>

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

TOWN OF COTTONPORT, LOUISIANA

Statement of Cash Flows
 Proprietary Fund
 For the Year Ended June 30, 2022

	<u>Water and Sewer</u>
Cash flows from operating activities:	
Receipts from customers	\$ 769,185
Payments to suppliers	(514,943)
Payments to employees	<u>(215,296)</u>
Net cash provided by operating activities	<u>38,946</u>
Cash flows from noncapital financing activities:	
Transfers (to) from other funds	<u>(71,984)</u>
Cash flows from capital and related financing activities:	
Proceeds from grants	57,897
Interest and fiscal charges paid on revenue bonds	(7,924)
Principal paid on bonds	(39,000)
Capital purchases	<u>(16,885)</u>
Net cash used by capital and related financing activities	<u>(5,912)</u>
Cash flows from investing activities:	
Interest received on interest-bearing deposits	<u>493</u>
Net decrease in cash and cash equivalents	(38,457)
Cash and cash equivalents, beginning of period	<u>504,677</u>
Cash and cash equivalents, end of period	<u>\$ 466,220</u>

(continued)

TOWN OF COTTONPORT, LOUISIANA

Statement of Cash Flows (Continued)
 Proprietary Fund
 For the Year Ended June 30, 2022

	<u>Water and Sewer</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (84,740)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	128,858
Net pension liability	(52,743)
Deferred inflows of resources	20,177
Deferred outflows of resources	15,068
Nonemployer contributions	4,440
Increase in assets:	
Accounts receivable	(6,851)
Other	(1,344)
Increase (decrease) in liabilities:	
Accounts payable	21,743
Customer deposits	<u>(5,662)</u>
Net cash provided by operating activities	<u>\$ 38,946</u>
Reconciliation of cash and cash equivalents per statement of cash flows to statement of net position:	
Cash and cash equivalents, beginning of period -	
Cash and cash equivalents - unrestricted	\$ 322,568
Cash and cash equivalents- restricted	<u>182,109</u>
Total cash and cash equivalents, beginning of period	<u>504,677</u>
Cash and cash equivalents, end of period -	
Cash and cash equivalents - unrestricted	235,075
Cash and cash equivalents - restricted	<u>231,145</u>
Total cash and cash equivalents, end of period	<u>466,220</u>
Net decrease in cash and cash equivalents	<u>\$ (38,457)</u>

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

TOWN OF COTTONPORT, LOUISIANA

Statement of Net Position
Discretely Presented Component Unit
June 30, 2022

	<u>Volunteer Fire Department</u>
Assets	
Cash and cash equivalents	\$ 52,894
Other receivables	38
Capital assets	
Depreciable, net	<u>25,595</u>
Total assets	<u>\$ 78,527</u>
Net Position	
Restricted - Public Safety - Fire	<u>\$ 78,527</u>

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

TOWN OF COTTONPORT, LOUISIANA

Statement of Activities
Discretely Presented Component Unit
For the Year Ended June 30, 2022

	<u>Volunteer Fire Department</u>
Expenses	<u>\$ 152,615</u>
General Revenues	
Ad valorem taxes	98,248
Miscellaneous	<u>51,320</u>
Total general revenues	<u>149,568</u>
Change in Net Position	(3,047)
Net Position, Beginning	<u>81,574</u>
Net Position, Ending	<u>\$ 78,527</u>

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

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Town of Cottonport (hereinafter, “the Town”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and more significant accounting policies are discussed in subsequent subsections of this note.

A. Financial Reporting Entity

The Town of Cottonport was incorporated on March 28, 1896 and began operating under the provisions of the Lawrson Act on October 21, 1924. The Town operates under a Mayor-Town Council form of government and provides the following services: public safety (police and fire), highway and streets, sanitation, culture-recreation, public improvements, and general administrative services.

The financial reporting entity consist 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 primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. This report includes all funds which are controlled by or dependent on the Town executive and legislative branches (the Mayor and Town Council). Control by or dependence on the Town is determined based on budget adoption, taxing authority, authority to issue debt, election or appointment of the governing body, and other general oversight responsibility.

Discretely Presented Component Unit

Discretely presented component units are separate legal entities that meet the component unit criteria established by GASB Statement No. 61, *The Financial Reporting Entity Omnibus – An Amendment of GASB Statements No. 14 and 34*, but do not meet the criteria for blending. They are reported in a separate column to emphasize that they are legally separate from the Town. Based on these criteria, the volunteer fire department, as a nonprofit organization, is considered a component unit of the Town and is included in the accompanying financial statements.

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The government-wide financial statements provide operational accountability information for the Town as an economic unit. The government-wide financial statements report the Town’s ability to maintain service levels and continue to meet its obligations as they come due. The statements include all governmental activities and all business-type activities of the primary government.

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds, each of which is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The various funds of the Town are classified into two categories: governmental and proprietary. The emphasis on the fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The major funds of the Town are described below:

Governmental Funds –

General Fund

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

Special Revenue Funds

The Sales Tax Fund accounts for the proceeds of two 1% sales and use taxes that are legally restricted to expenditures for specific purposes.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of resources used to service the Town's \$800,000 Series 2013 certificate of indebtedness.

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

Proprietary Funds –

Proprietary funds are used to account for ongoing organizations and activities that are similar to those often found in the private sector. The measurement focus is based upon the determination of net income, financial position, and cash flows.

Enterprise Funds

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

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” revenues, expenditures, expenses, and transfers – and assets, deferred outflows of resources, liabilities, and deferred inflows of resources – are recognized in the accounts and reported in the financial statements.

Measurement Focus

On the government-wide statement of net position and the statement of activities, governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recover), and financial position. All assets and liabilities (whether current or noncurrent) associated with its activities are reported. Government-wide fund equity is classified as net position.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

1. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

2. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide statements of net position and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The proprietary funds use the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used.

Program revenues

Program revenues included in the statement of activities are derived directly from the program itself or from parties outside the Town’s taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Town’s general revenues.

Allocation of indirect expenses

The Town reports all direct expenses by function in the statement of activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the statement of activities. Depreciation expense is specifically identifiable by function and is included in the direct expense of each function. Interest on long-term debt related to business activities is reported in the statement of activities as direct expenses in the Water and Sewer function in the amount of \$7,032.

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Equity

Cash, cash equivalents and interest-bearing deposits

For purposes of the statement of net position, cash and cash equivalents include all demand accounts, savings accounts, certificates of deposits, and interest-bearing deposits of the Town.

For the purposes of the proprietary fund statement of cash flows, cash and cash equivalents include all demand deposits, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales and use taxes and franchise fees. Business-type activities report customers' utility service receivables as their major receivables. Uncollectible amounts due from customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the receivable is uncollectible. Unbilled utility service receivables resulting from utility services rendered between the date of meter reading billing and the end of the month, are recorded at year-end. The total allowance for doubtful accounts reported at June 30, 2022 is \$42,401.

Interfund receivables and payables

During operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those transactions related to goods and services are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables."

Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

Restricted Assets

Restricted assets include cash and interest-bearing deposits of the special revenue funds and the proprietary fund that are legally restricted as to their use. The restricted assets recorded in the governmental funds are related to capital lease proceeds designated for the construction of a capital asset. The restricted assets in the proprietary fund are related to utility customer deposits and debt service on the 2010 water revenue bonds.

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at acquisition cost or estimated cost if acquisition is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The Town maintains a threshold level of \$500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated acquisition cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Infrastructure	10 - 50 years
Utility system and improvements	10 - 50 years
Heavy equipment	10 - 20 years
Vehicles and movable equipment	7 - 15 years
Equipment, furniture and fixtures	5 - 10 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Compensated Absences

Employees of the Town earn both vacation and sick time based on years of service. Accumulated vacation time expires on January 31st of the following calendar year while accumulated sick time is eligible for carryover. However, employees are not paid for accumulated sick time at the time of resignation or termination. No compensated absences payable is recorded at June 30, 2022 due to the immaterial nature of the balance payable.

Long-term debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists of revenue bonds payable and capital lease payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) in the current period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) in the current period.

Equity Classifications

In the government-wide statements, equity is classified as net position and displayed in three components:

1. Net investment in capital assets - consists of net capital assets, reduced by the outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
2. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.
3. Unrestricted net position – consists of all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance reports aggregate amounts for five classifications based on the constraints imposed on the use of these resources. As such, fund balances of the governmental funds are classified as follows:

1. Non-spendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact. The Town’s non-spendable fund balance includes prepaid items.
2. Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
3. Committed – amounts that can be used only for specific purposes determined by a formal decision of the Town’s Mayor and Board of Aldermen, which is the highest level of decision-making authority for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by board members.
4. Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes determined by a formal decision of the Mayor and Board of Aldermen.
5. Unassigned – all other spendable amounts.

It is the Town’s policy to use restricted amounts first when both restricted and unrestricted fund balance is available unless prohibited by legal or contractual provisions. Additionally, the Town uses committed, assigned, and unassigned amount.

Proprietary fund equity is classified the same as in the government-wide statements.

E. Revenues, Expenditures, and Expenses

Revenues

The Town considers revenue to be susceptible to accrual in the governmental funds as it becomes measurable and available, as defined under the modified accrual basis of accounting. The Town generally defines the availability period for revenue recognition as received within sixty (60) days of year end. The Town’s major sources of revenues that meet this availability criterion are intergovernmental revenues, franchise fees, tax revenues, and charges for services.

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

There are two classifications of programmatic revenues for the Town, grant revenue and program revenue. Grant revenues are derived from federal, state, and private grant programs. These revenues are recognized when all applicable eligibility requirements are met and are reported as intergovernmental revenues. Program revenues are derived directly from the program itself or from third parties outside of the Town's taxpayers or citizenry. Program revenues reduce the cost of the function to be financed by the Town's general revenues. The primary sources of program revenues consist of fees, fines, and charges paid by recipients for goods or services, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and income earned in connection with the operation of the Town's utility system.

Ad Valorem Revenues

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in October and are billed to taxpayers in November. Billed taxes become delinquent on March 1 of the following year. The Town has entered into an intergovernmental agreement with the Avoyelles Parish Law Enforcement District to bill and collect its own property taxes using the assessed values determined by the tax assessor of Avoyelles Parish. Property tax revenues are recognized when levied to the extent that they result in current receivables.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services.

Nonoperating revenues are funds primarily provided by investing activities, such as financial institution interest income, gain on disposal of assets, and insurance recoveries on property loss. Operating expenses are expenses related to the production of revenue. Nonoperating expenses are not directly related to the production of revenue and include items such as interest expense and losses on the disposal of assets.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities. In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character
Proprietary Funds - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

F. Revenue Restrictions

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales tax	See Note 2
Water and sewer revenue	Debt service, utility operations, other lawful corporate purposes

G. Pensions

The net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense have been determined using the flow of economic resources measurement focus and full accrual basis of accounting. Non-employer contributions are recognized as revenues in the government-wide and proprietary fund financial statements. In the governmental fund financial statements contributions are recognized as expenditures when due.

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. These estimates include assessing the collectability of accounts receivable and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

(2) Dedication of Proceeds and Flow of Funds – Sales and Use Taxes

Proceeds of the Town’s two 1% sales and use taxes are dedicated to the following purposes:

1. Paying the cost of constructing sewers and sewerage disposal works, waterworks facilities, public streets and drainage facilities as well as maintaining and operating the same; title to which shall be in the public name.

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

(3) Cash and Interest-Bearing Deposits

Under state law, the Town may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Town may invest in direct obligations of the United States government, bonds, debentures, notes, or other evidence of indebtedness issues or guaranteed by federal agencies and/or the United States government, and time certificates of deposit of the state banks organized under Louisiana law and national banks having principal offices in Louisiana.

Custodial credit risk for deposits is the risk that in case of the failure of a depository financial institution, the Town's deposits may not be recovered, or the Town will not be able to recover the collateral securities that are in the possession of an outside party. These deposits are stated at cost, which approximates market. The Town does not have a policy for custodial credit risk; however, under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security, or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties.

Bank balances	<u>\$ 1,052,391</u>
Insurance	\$ 344,335
Uninsured and collateral held by custodial bank not in the Town's name	<u>708,056</u>
Total FDIC insurance and pledged securities	<u>\$ 1,052,391</u>

(4) Interfund Assets, Interfund Liabilities, and Transfers

A) Individual balances due from/to other funds are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Funds:		
General fund	\$ -	\$ 31,411
Enterprise funds:		
Water and sewer fund	<u>31,411</u>	<u>-</u>
Total	<u>\$ 31,411</u>	<u>\$ 31,411</u>

Balances at June 30, 2022, resulted from the routine lag between the dates that interfund goods or services are provided and reimbursable expenditures occur. Transactions are recorded in the accounting system and payments between funds are made to satisfy the balances.

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

B) Transfers consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General fund	\$ 522,475	\$ 46,133
Sales tax fund	-	510,692
Debt service fund	<u>93,102</u>	<u>-</u>
Total governmental funds	615,577	556,825
Enterprise funds:		
Water and sewer fund	<u>-</u>	<u>58,752</u>
Total	<u>\$ 615,577</u>	<u>\$ 615,577</u>

Transfers are used to 1) move revenues from the fund required by statute, voter-approved resolution, or budget to collect them to the fund required by statute or budget to expend them, and 2) use unrestricted revenues collected in the general fund to finance various program accounted for in other funds in accordance with budgetary authorizations.

(5) Restricted Assets

Restricted assets consist of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Capital lease escrow account	\$ 1,222	\$ -	\$ 1,222
Revenue bond reserve account	-	106,147	106,147
Revenue bond contingency account	-	19,138	19,138
Sewer improvements account	-	37,440	37,440
Customer utility deposits	<u>-</u>	<u>68,420</u>	<u>68,420</u>
	<u>\$ 1,222</u>	<u>\$ 231,145</u>	<u>\$ 232,367</u>

(6) Capital Assets

Capital asset activity was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 136,031	\$ -	\$ -	\$ 136,031
Construction in progress	156,476	-	156,476	-

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

	Beginning Balance	Additions	Deletions	Ending Balance
Other capital assets:				
Buildings and improvements	1,181,345	-	-	1,181,345
Vehicles and tractors	989,086	-	63,659	925,427
Equipment, furniture and fixtures	644,654	309,645	-	954,299
Totals	<u>3,107,592</u>	<u>309,645</u>	<u>220,135</u>	<u>3,197,102</u>
Less accumulated depreciation:				
Buildings and improvements	716,307	22,259	-	738,566
Vehicles and tractors	593,037	51,081	63,659	580,459
Equipment, furniture and fixtures	701,704	34,428	-	736,132
Total accumulated depreciation	<u>2,011,048</u>	<u>107,768</u>	<u>63,659</u>	<u>2,055,157</u>
Governmental activities, capital assets, net	<u>\$ 1,096,544</u>	<u>\$ 201,877</u>	<u>\$ 156,476</u>	<u>\$ 1,141,945</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 13,299
Police	7,716
Fire	68,009
Streets	18,744
Total depreciation expense	<u>\$107,768</u>

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 647,315	\$ 39,103	-	\$ 686,418
Other capital assets:				
Water system and equipment	3,049,735	16,885	-	3,066,620
Sewer system and equipment	2,977,663	-	-	2,977,663
Totals	<u>6,674,713</u>	<u>55,988</u>	<u>-</u>	<u>6,730,701</u>
Less accumulated depreciation:				
Water system and equipment	1,714,405	64,306	-	1,778,711
Sewer system and equipment	1,848,365	64,552	-	1,912,917
Total accumulated depreciation	<u>3,562,770</u>	<u>128,858</u>	<u>-</u>	<u>3,691,628</u>
Business-type activities, capital assets, net	<u>\$ 3,111,943</u>	<u>\$ (72,870)</u>	<u>\$ -</u>	<u>\$ 3,039,073</u>

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

Depreciation expense was charged to business-type activities as follows:

Water	\$ 64,306
Sewer	<u>64,552</u>
Total depreciation expense	<u><u>\$ 128,858</u></u>

(7) Changes in Long-Term Liabilities

Debt outstanding at June 30, 2022 was comprised of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Direct borrowings/placements			
Certificates of Indebtedness	\$ 91,000	\$ -	\$ 91,000
Water Revenue Bonds	-	129,000	129,000
Capital leases	<u>246,342</u>	<u>-</u>	<u>246,342</u>
Total obligations	<u>\$ 337,342</u>	<u>\$ 129,000</u>	<u>\$ 466,342</u>

The following is a summary of debt transactions for the governmental activities of the Town:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>	<u>Due Within One Year</u>
Governmental Activities					
Direct borrowings/placements					
Certificates of indebtedness	\$ 179,000	\$ -	\$ 88,000	\$ 91,000	\$ 91,000
Capital leases -					
2017 Police units	2,900	-	2,900	-	-
2019 Mini excavator	22,800	-	6,862	15,938	7,146
2021 Fire Pumper Truck	157,371	-	29,570	127,801	30,493
2022 Fire Fighter Equip.	<u>-</u>	<u>121,851</u>	<u>19,248</u>	<u>102,603</u>	<u>15,669</u>
Total	<u>\$ 362,071</u>	<u>\$ 121,851</u>	<u>\$ 146,580</u>	<u>\$ 337,342</u>	<u>\$ 144,308</u>

Certificates of Indebtedness

The Town issued the \$800,00 Certificates of Indebtedness, Series 2013 in July 2013 to fund streets improvements throughout the Town. The certificates bear interest at 2.85% and are due in ten annual principal and interest installments ranging from \$89,386 to \$93,594. The certificates are secured by and payable from the Town's excess annual revenues. Upon the event of a default certificate holders are entitled to exercise all rights and powers for which provision is made under Louisiana law. However, under no circumstances may the payment of principal or interest of any of the certificates be accelerated.

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

Annual debt service requirements to maturity for the Town’s certificates of indebtedness are as follows:

Year ending June 30,	Direct Placement Debt Government Activities		
	Principal payments	Interest payments	Total
2023	\$ 91,000	\$ 2,594	\$ 93,594

Capital Lease Obligations

The Town entered into a lease agreement on August 28, 2019 for the purchase of a 2019 mini excavator with an original purchase price of \$38,625. The lease agreement bears interest at 4.38% and requires sixty monthly installment payments of \$644 beginning in September 2019 and ending in August 2024.

The Town entered into a lease agreement on April 14, 2021 for the purchase of a 2021 fire pumper truck with an original purchase price of \$157,371. The lease agreement bears interest at 3.12% and requires five annual installment payments of \$34,480 beginning in April 2022 and ending in April 2026.

The Town entered into a lease agreement on March 18, 2022 for the purchase of fire fighter equipment with an original purchase price of \$151,851. The lease agreement bears interest at 3.38% and requires seven annual installment payments of \$19,248 beginning in April 2022 and ending in April 2028.

Capital leases are due as follows:

Year ending June 30,	Governmental Activities		
	Principal payments	Interest payments	Total
2023	\$ 53,308	\$ 8,143	\$ 61,451
2024	55,136	6,314	61,450
2025	50,522	4,560	55,082
2026	50,805	2,924	53,729
2027	17,972	1,276	19,248
2028	18,599	649	19,248
Total	\$ 246,342	\$ 23,866	\$ 270,208

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

Leased assets being depreciated consisted of a mini excavator, a fire pumper truck and various fire fighter equipment with an original cost of \$346,952 and accumulated depreciation of \$21,156 as of June 30, 2022. Depreciation expense on equipment under capital lease was \$10,560 and is included in governmental activities in the government wide financial statements for the year ended June 30, 2022

The following is a summary of debt transactions for the business activities of the Town:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>	<u>Due Within One Year</u>
Business-Type Activities					
Direct borrowings/placements					
Water Revenue bonds	<u>\$ 168,000</u>	<u>\$ -</u>	<u>\$ 39,000</u>	<u>\$ 129,000</u>	<u>\$ 41,000</u>

Water Revenue Bonds

The Town issued the \$500,000 Water Revenue Bonds, Series 2010 in May 2010 to fund the construction of a new water well for its utility system. The bonds are due in fifteen annual principal and interest installments of \$37,407 to \$47,160, The bonds bear interest ranging from 2.25% to 4.80% on \$425,000 of principal while the remaining \$75,000 of principal is interest free. The bond agreement requires the Town to maintain customer utility rates to provide net revenues equal to or greater than 110% of the principal and interest obligated to be paid in the current fiscal year. Failure to make punctual principal and interest payments, to perform or observe any other bond covenants, agreements, or conditions for a period of thirty (30) days after receiving written notice are considered events of default. Bondholders are entitled to exercise all rights and powers under Louisiana law in the event of a default, however, under no circumstances may the payment of principal or interest of any of the bonds be accelerated under the bond agreement.

Annual debt service requirements to maturity for the Town's water revenue bonds, are as follows:

Year ending June 30,	Direct Placement Debt Business-type Activities		
	<u>Principal payments</u>	<u>Interest payments</u>	<u>Total</u>
2023	\$ 41,000	\$ 6,130	\$ 47,130
2024	43,000	4,202	47,202
2025	<u>45,000</u>	<u>2,160</u>	<u>47,160</u>
Total	<u>\$ 129,000</u>	<u>\$ 12,492</u>	<u>\$ 141,492</u>

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

(8) Pension Plans

Substantially all employees of the Town participate in one of two cost-sharing multiple employer public retirement systems. Each system is administered and controlled by a separate board of trustees.

A. Municipal Employees Retirement System of Louisiana (MERS) -

Plan Description: Employees of the Town are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan established in accordance with the provisions of Louisiana Revised Statute 11:1731 to provide retirement, disability, and survivor benefits to employees of all incorporated villages, towns, and cities throughout the State of Louisiana. MERS is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Town are members of Plan B. The system issues a publicly available financial report that 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.

Benefits Provided: The following is a description of the plan and its benefits which is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Retirement: Any member of Plan B, who was hired before January 1, 2013, can retire providing the member meets one of the following criteria:

- a. Any age with thirty (30) or more years of creditable service.
- b. Age 60 with a minimum of ten (10) years of creditable service.

Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to three percent of the member's monthly average final compensation multiplied by his years of creditable service. Final compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statute, the benefits are limited to specified amounts.

Any member of Plan B Tier 2 can retire providing they meet one of the following requirements:

- a. Age 67 with seven (7) or more years of creditable service.
- b. Age 62 with ten (10) or more years of creditable service.
- c. Age 55 with thirty (30) or more years of creditable service.
- d. Any age with twenty-five (25) years of creditable service, exclusive of military service and unused annual and sick leave, with an actuarially reduced early benefit.

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

The monthly amount of the retirement allowance for any member of Plan B Tier 2 shall consist of an amount equal to two percent of the member's final compensation multiplied by their years of creditable service. Final compensation is the average monthly earnings during the highest sixty consecutive months or joined months if service was interrupted. However, under certain conditions as outlined in statutes, the benefits are limited to specific amounts.

Survivor Benefits: Upon death of any member of Plan B with five (5) or more years of creditable service, not eligible for normal retirement, the plan provides benefits for the surviving spouse and/or minor children as outlined in the statutes.

Any member of Plan B, who is eligible for normal retirement at time of death and who leaves a surviving spouse will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse on the date of death. Such benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

Deferred Retirement Option Plan (DROP) Benefits: In lieu of terminating employment and accepting a service retirement allowance, any member of Plan B who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable, but employee contributions cease. The monthly retirement benefits that would be payable had the person elected to cease employment and receive a service retirement allowance are paid into the DROP Fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants until employment, which made them eligible to become members of the System, has been terminated for at least one full year.

Upon termination of employment, prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or any other method of payment, if approved by the board of trustees. If a participant dies during participation in the DROP, a lump sum equal to the balance in his account shall be paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of the three years, payments into the DROP fund cease and the person resumes active contributing membership in MERS.

Disability Benefits: For Plan B, a member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service, is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to the lesser of (1) an amount equal to two percent of his final compensation multiplied by his years of creditable service, but not less than thirty percent of his final compensation, or (2) an amount equal to what the member's normal retirement benefit would be based on the member's current final compensation, but assuming the member remained in continuous service until his earliest normal retirement age and using those retirement benefit computation factors which would be applicable to the member's normal retirement.

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

Cost of Living Increases: The System is authorized under state law to grant a cost-of-living increase to members who have been retired for at least one year. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. State law allows the System to grant an additional cost of living increase to all retirees and beneficiaries who are age sixty-five and above equal to 2% of the benefit being received on October 1, 1977, or the original benefit, if retirement commenced after that date.

Deferred Benefits: Plan B provides deferred benefits for members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable. Benefits are based on statutes in effect at time of withdrawal.

Contributions: According to state statute, contribution requirements for all employers are actuarially determined each year. For the year the actual employer contribution rate was 14.00% for Plan B. In accordance with state statute, the System also 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 for special funding situations. Total non-employer contributions recognized as income for the year were \$6,830. Contributions to the pension plan from the Town were \$35,993 for the year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The Town reported a liability of \$158,302 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2021, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Town'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 as actuarially determined. The Town's proportion was 0.273%, which was an increase of 0.007% from the previous year.

The Town's MERS plan recognized a pension expense of \$16,103.

The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ -	\$ 6,532
Change in assumptions	6,406	-
Change in proportion and differences between the employer's contributions and the proportionate share of contributions	9,231	-
Net difference between projected and actual earnings on pension plan investments	-	44,490
Contributions subsequent to the measurement date	35,993	-
Total	<u>\$ 51,630</u>	<u>\$ 51,022</u>

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

Deferred outflows of resources of \$35,993 related to MERS resulting from the Town's contributions after the measurement date will be recognized as a reduction of the Net Pension Liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to MERS will be recognized in pension expense (benefit) as follows:

Year Ended June 30:	
2023	\$ (2,410)
2024	(6,847)
2025	(11,095)
2026	<u>(15,033)</u>
	<u>\$ (35,385)</u>

Actuarial Assumptions: The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the System to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the System's fiduciary net position.

A summary of the actuarial methods and assumptions used in determining the total pension liability of the System as were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018 and are as follows:

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal Cost
Expected Remaining Service Life	3 years
Actuarial Assumptions:	
Investment rate of return	6.85%, net of investment expense, including inflation
Inflation Rate	2.5%
Salary increases, including information and merit increases	1-4 years of service- 7.4% Plan B More than 4 years of service- 4.9% Plan B
Annuitant and beneficiary mortality	PubG-2010(B) Employee Table set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales.

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

Employee mortality	PubG-2010(B) Employee Table set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales.
Disabled lives mortality	PubG-2010(B) Disabled Retiree Table set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales.

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 inflation and an adjustment for the effect of rebalancing/diversification.

The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocations are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Public equity	53%	2.31%
Public fixed income	38%	1.65%
Alternatives	9%	0.39%
Totals	<u>100%</u>	4.35%
Inflation		<u>2.60%</u>
Expected Arithmetic Nominal Return		<u>6.95%</u>

The discount rate used to measure the System's total pension liability was 6.85% for the year. This was a decrease of .010% from the discount rate used in the previous year. 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 COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

Sensitivity of the Employer’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the System’s net pension liability of the participating employers calculated using the discount rate of 6.850%, as well as what the employers’ net pension liability would be if it were calculated using a discount rate that is one percentage point lower 5.850%, or one percentage point higher 7.850% than the current rate (assuming all other assumptions remain unchanged):

	1% Decrease 5.850%	Current Discount Rate 6.850%	1% Increase 7.850%
Net Pension Liability	\$ 242,868	\$ 158,302	\$ 86,775

B. Municipal Employees Police Retirement System of Louisiana (MPERS) –

Plan Description: The Municipal Police Employees' Retirement System is the administrator of a cost-sharing multiple-employer plan. Membership in the MPERS is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, provided he or she does not have to pay social security and providing he or she meets the statutory criteria. The System provides retirement benefits for municipal police officers. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the system in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. The System issues a publicly available financial report that may be obtained by writing to the Municipal Employees’ Retirement System of Louisiana, 7722 Office Park Boulevard, Suite 200, Baton Rouge, Louisiana 70809, or by calling (225) 929-7411.

Contributions: Contributions for all members are actuarially determined as required by state law but cannot be less than 9% of the employees’ earnable compensation excluding overtime but including state supplemental pay. For the year ended June 30, 2022, contributions due for employers and employees was 29.75% and 10.00%, respectively. Contributions to the pension plan from the Town totaled \$0.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2022, the Town reported a liability of \$0 for its proportionate share of the Net Pension Liability of MPERS. The Net Pension Liability was measured as of June 30, 2021 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Town’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. The Town’s proportion was 0%, which was the same as its proportion measured in the previous year.

The Town’s MPERS plan recognized a pension benefit of \$27,933.

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

(9) Litigation and Claims

At June 30, 2022, the Town is a defendant in pending litigation. While damages are alleged, the outcome of this litigation cannot be predicted with certainty.

(10) Risk Management

The Town is exposed to risks of loss in the areas of general and auto liability, property hazards and workers' compensation. These risks are managed by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the year, nor have settlements exceeded insurance coverage for the past three years.

(11) Subsequent Event

In August 2022, the Town issued \$600,000 of Water Revenue Bonds, Series 2022. The bonds consist of bond number R-1 issued for \$450,000, maturing in January 2037, bearing interest at 4.00%. and bond number R-2 issued for \$150,000, maturing in January 2032, bearing interest at 2.00%. The net proceeds of the Water Revenue Bonds, Series 2022 are to be used to pay part of the costs to construct and acquire improvements, extensions, renovations, and replacements of the Town's water system.

(12) Selected Disclosures for Discretely Presented Component Units

Financial reporting standards require note disclosures on discretely presented component units considering both the units' significance relative to the total discretely component units and the nature and significance of the units' relationship to the primary government (the Town). As such, the following disclosures are presented.

Deposits

Discretely presented component unit deposits (demand deposits and interest-bearing demand deposits) are recorded at cost, which approximates fair value. The carrying amounts of these deposits totaled \$56,428.

Under state law, these deposits must be secured by federal deposit insurance, or the pledge of securities owned by the fiscal agent bank. The market values of the pledged securities plus the federal deposit insurance (FDIC) must at all times equal the amount on deposit with the fiscal agent. The deposits were covered by FDIC insurance.

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

Capital Assets

A summary of depreciable assets for discretely presented component units is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Volunteer Fire Department:				
Equipment, furniture and fixtures	\$ 19,748	\$ 11,333	\$ -	\$ 31,081
Less accumulated depreciation:				
Equipment, furniture and fixtures	<u>2,416</u>	<u>3,070</u>	<u>-</u>	<u>5,486</u>
Depreciable assets, net	<u>\$ 17,332</u>	<u>\$ 8,263</u>	<u>\$ -</u>	<u>\$ 25,595</u>

**REQUIRED
SUPPLEMENTARY INFORMATION**

TOWN OF COTTONPORT, LOUISIANA
General Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2022

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 134,000	\$ 165,636	\$ 159,833	\$ (5,803)
Licenses and permits	66,240	54,340	83,996	29,656
Intergovernmental	20,200	8,750	148,037	139,287
Fines and forfeits	30,550	32,300	49,776	17,476
Miscellaneous	<u>62,432</u>	<u>142,720</u>	<u>83,744</u>	<u>(58,976)</u>
Total revenues	<u>313,422</u>	<u>403,746</u>	<u>525,386</u>	<u>121,640</u>
Expenditures:				
General government -				
Finance and administrative	234,450	244,500	278,456	(33,956)
Public safety -				
Police	273,936	307,336	356,171	(48,835)
Fire	18,244	18,844	18,771	73
Court	10,850	2,200	2,169	31
Public works -				
Streets and sidewalks	125,950	231,700	216,822	14,878
Capital outlay	-	131,451	153,169	(21,718)
Debt service -				
Principal	59,000	59,000	58,580	420
Interest	<u>1,687</u>	<u>9,411</u>	<u>6,064</u>	<u>3,347</u>
Total expenditures	<u>724,117</u>	<u>1,004,442</u>	<u>1,090,202</u>	<u>(85,760)</u>
Deficiency of revenues over expenditures	<u>(410,695)</u>	<u>(600,696)</u>	<u>(564,816)</u>	<u>35,880</u>
Other financing sources (uses):				
Transfers out	-	-	(46,133)	(46,133)
Transfers in	375,000	610,000	522,475	(87,525)
Proceeds from capital lease	<u>-</u>	<u>121,851</u>	<u>121,851</u>	<u>-</u>
Total other financing sources (uses)	<u>375,000</u>	<u>731,851</u>	<u>598,193</u>	<u>(133,658)</u>
Net change in fund balance	(35,695)	131,155	33,377	(97,778)
Fund balance, beginning	<u>28,420</u>	<u>28,420</u>	<u>28,420</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (7,275)</u>	<u>\$ 159,575</u>	<u>\$ 61,797</u>	<u>\$ (97,778)</u>

TOWN OF COTTONPORT, LOUISIANA
Sales Tax Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2022

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Taxes -				
Sales	\$ 420,000	\$ 450,000	\$ 455,255	\$ 5,255
Other	<u>100</u>	<u>100</u>	<u>153</u>	<u>53</u>
Total revenues	<u>420,100</u>	<u>450,100</u>	<u>455,408</u>	<u>5,308</u>
Expenditures:				
General government	<u>5,000</u>	<u>6,500</u>	<u>6,281</u>	<u>219</u>
Excess of revenues over expenditures	<u>415,100</u>	<u>443,600</u>	<u>449,127</u>	<u>5,527</u>
Other financing uses:				
Transfers out	<u>(300,000)</u>	<u>(480,000)</u>	<u>(510,692)</u>	<u>(30,692)</u>
Net change in fund balance	115,100	(36,400)	(61,565)	(25,165)
Fund balance, beginning	<u>256,302</u>	<u>256,302</u>	<u>256,302</u>	<u>-</u>
Fund balance, ending	<u>\$ 371,402</u>	<u>\$ 219,902</u>	<u>\$ 194,737</u>	<u>\$ (25,165)</u>

TOWN OF COTTONPORT, LOUISIANA

Schedule of Employer's Share of Net Pension Liability
For the Year Ended June 30, 2022

* Year ended June 30,	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Municipal Employees' Retirement System					
2022	0.273%	\$ 158,302	\$ 209,772	75.5%	79.14%
2021	0.266%	\$ 239,445	\$ 182,440	131.2%	66.26%
2020	0.247%	\$ 215,971	\$ 172,096	125.5%	66.14%
2019	0.300%	\$ 253,449	\$ 188,727	134.3%	65.60%
2018	0.349%	\$ 301,541	\$ 219,552	137.3%	63.49%
2017	0.367%	\$ 303,965	\$ 258,679	117.5%	62.11%

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

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

TOWN OF COTTONPORT, LOUISIANA

Schedule of Employer Contributions
For the Year Ended June 30, 2022

<u>Year ended June 30,</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractual Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
Municipal Employees' Retirement System					
2022	\$ 35,993	\$ 35,993	\$ -	\$ 232,212	15.50%
2021	\$ 32,515	\$ 32,515	\$ -	\$ 209,772	15.50%
2020	\$ 28,667	\$ 28,667	\$ -	\$ 172,096	16.66%
2019	\$ 26,422	\$ 26,422	\$ -	\$ 188,727	14.00%
2018	\$ 29,090	\$ 29,090	\$ -	\$ 219,552	13.25%
2017	\$ 24,178	\$ 24,178	\$ -	\$ 258,679	9.35%

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

TOWN OF COTTONPORT, LOUISIANA

Notes to the Required Supplementary Information
Year Ended June 30, 2022

(1) Retirement Systems

A. Changes in Benefit Terms

There were no changes in benefit terms.

B. Changes in Assumptions

<u>Year ended June 30,</u>	<u>Discount Rate</u>	<u>Investment Rate of Return</u>	<u>Inflation Rate</u>	<u>Expected Remaining Service lives</u>	<u>Projected Salary Increase</u>
* Municipal Employee's Retirement System of Louisiana (MERS)					
2017	7.500%	7.500%	2.875%	3	2.125%
2018	7.400%	7.400%	2.775%	3	2.225%
2019	7.275%	7.275%	2.600%	3	2.400%
2020	7.000%	7.000%	2.500%	3	4.5% - 6.4%
2021	6.950%	6.950%	2.500%	3	4.9% - 7.4%
2022	6.850%	6.850%	2.500%	3	4.9% - 7.4%

** The amounts presented have a measurement date of the previous June 30.*

(2) Budget and Budgetary Accounting

The Town has established its fiscal year as the twelve-month period beginning July 1. The procedures detailed below are followed in establishing the budgetary data reflected in the financial statements.

The Mayor and the Town Clerk prepare a proposed budget based on an estimate of the revenues expected to be received in the next fiscal year and submit the proposal to the Board of Aldermen. A summary of the proposed budget is published, and the public is notified that the proposed budget is available for public inspection. As the same time, a public hearing is set.

A public hearing is held to discuss the proposed budget at least ten days after publication of the call for a hearing. After the public hearing is conducted and all actions necessary to finalize and implement the budget, the budget is adopted by ordinance prior to the commencement of the fiscal for which the budget is being adopted.

As required by state law, the budgets are amended whenever projected revenue fails to meet original expectations or when projected expenditures exceed original expectations. Budgetary amounts as amended and all budgetary appropriations lapse at the end of the fiscal year.

(3) Excess of Expenditures over Appropriations

The Town incurred expenditures in excess of appropriations in the General Fund.

OTHER SUPPLEMENTARY INFORMATION

OTHER INFORMATION

TOWN OF COTTONPORT, LOUISIANA
General Fund

Budgetary Comparison Schedule - Revenues
For the Year Ended June 30, 2022

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Taxes:				
Ad valorem	\$ 47,500	\$ 47,436	\$ 54,975	\$ 7,539
Franchise -				
Electric	60,500	93,500	83,137	(10,363)
Gas	12,000	15,000	12,626	(2,374)
Telephone	4,000	1,700	2,241	541
Cable TV	10,000	8,000	6,854	(1,146)
Total taxes	<u>134,000</u>	<u>165,636</u>	<u>159,833</u>	<u>(5,803)</u>
Licenses and permits:				
Occupational licenses	62,500	51,500	80,746	29,246
Building permits	240	240	240	-
Liquor permits	3,500	2,600	3,010	410
Total licenses and permits	<u>66,240</u>	<u>54,340</u>	<u>83,996</u>	<u>29,656</u>
Intergovernmental:				
Federal grants -				
American Rescue Plan Act	-	-	19,951	19,951
State of Louisiana -				
State grants	-	-	10,292	10,292
Beer taxes	4,200	3,750	4,538	788
Video poker	11,000	-	24,279	24,279
Volunteer Fire Department	-	-	83,977	83,977
Department of Transportation -				
Maintenance	5,000	5,000	5,000	-
Total intergovernmental	<u>20,200</u>	<u>8,750</u>	<u>148,037</u>	<u>139,287</u>
Fines and forfeits:				
Fines and court costs	30,550	32,300	49,776	17,476
Miscellaneous:				
Interest	25	50	55	5
Casino funds	-	28,450	36,936	8,486
Other sources	23,920	114,220	46,753	(67,467)
Total miscellaneous	<u>23,945</u>	<u>142,720</u>	<u>83,744</u>	<u>(58,976)</u>
Total revenues	<u>\$ 274,935</u>	<u>\$ 403,746</u>	<u>\$ 525,386</u>	<u>\$ 121,640</u>

TOWN OF COTTONPORT, LOUISIANA
General Fund

Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2022

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General government:				
Administration:				
Salaries	\$ 97,000	\$ 97,000	\$ 99,861	\$ (2,861)
Payroll taxes	7,500	7,500	7,037	463
Insurance	9,000	9,000	10,780	(1,780)
Legal and professional fees	20,000	28,000	25,359	2,641
Benefits	20,000	15,500	15,184	316
Other	<u>80,950</u>	<u>87,500</u>	<u>120,235</u>	<u>(32,735)</u>
Total general government	<u>234,450</u>	<u>244,500</u>	<u>278,456</u>	<u>(33,956)</u>
Public safety -				
Police:				
Salaries	166,636	198,136	235,004	(36,868)
Payroll taxes	12,000	15,000	18,743	(3,743)
Automobile expense	38,500	34,500	40,656	(6,156)
Insurance	32,800	29,800	32,988	(3,188)
Other	<u>24,000</u>	<u>29,900</u>	<u>28,780</u>	<u>1,120</u>
Total police	<u>273,936</u>	<u>307,336</u>	<u>356,171</u>	<u>(48,835)</u>
Fire:				
Salaries	3,900	3,900	3,900	-
Payroll taxes	844	844	903	(59)
Miscellaneous	12,000	12,300	12,134	166
Truck expenses	<u>1,500</u>	<u>1,800</u>	<u>1,834</u>	<u>(34)</u>
Total fire	<u>18,244</u>	<u>18,844</u>	<u>18,771</u>	<u>73</u>
Court:				
Magistrate fees	1,200	1,200	1,100	100
Coroner's fees	7,000	-	-	-
Miscellaneous	<u>2,650</u>	<u>1,000</u>	<u>1,069</u>	<u>(69)</u>
Total court	<u>10,850</u>	<u>2,200</u>	<u>2,169</u>	<u>31</u>
Total public safety	<u>303,030</u>	<u>328,380</u>	<u>377,111</u>	<u>(48,731)</u>

(continued)

TOWN OF COTTONPORT, LOUISIANA
General Fund

Budgetary Comparison Schedule - Expenditures (continued)
For the Year Ended June 30, 2022

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Streets and sidewalks -				
Salaries	38,000	54,000	59,876	(5,876)
Payroll taxes	4,000	4,000	4,539	(539)
Benefits	3,200	2,200	2,501	(301)
Street lights and power	34,000	36,500	40,713	(4,213)
Maintenance	24,600	120,100	91,320	28,780
Insurance	15,000	12,500	15,756	(3,256)
Other	7,150	2,400	2,117	283
Total streets and sidewalks	<u>125,950</u>	<u>231,700</u>	<u>216,822</u>	<u>14,878</u>
Capital outlay:				
General government	-	600	1,318	(718)
Fire department	-	124,851	151,851	(27,000)
Streets and sidewalks	-	6,000	-	6,000
Total capital outlay	<u>-</u>	<u>131,451</u>	<u>153,169</u>	<u>(21,718)</u>
Debt service:				
Principal	59,000	59,000	58,580	420
Interest	1,687	9,411	6,064	3,347
Total debt service	<u>60,687</u>	<u>68,411</u>	<u>64,644</u>	<u>3,767</u>
Total expenditures	<u>\$ 724,117</u>	<u>\$ 1,004,442</u>	<u>\$ 1,090,202</u>	<u>\$ (85,760)</u>

TOWN OF COTTONPORT, LOUISIANA
Enterprise Fund
Utility Fund

Departmental Analysis of Revenues and Expenses
Year Ended June 30, 2022

	Totals	General Administrative	Water	Sewer
Operating revenues:				
Water sales	\$ 556,902	\$ -	\$ 556,902	\$ -
Sewerage sales	203,765	-	-	203,765
Installation and other charges	22,375	-	21,975	400
Total operating revenues	<u>783,042</u>	<u>-</u>	<u>578,877</u>	<u>204,165</u>
Operating expenses:				
Salaries and related benefits	202,238	70,928	65,935	65,375
Depreciation	128,858	-	64,306	64,552
Maintenance and repairs	151,469	-	83,943	67,526
Supplies	116,906	-	59,730	57,176
Contractual services	19,584	19,584	-	-
Insurance	47,110	-	24,025	23,085
Truck and tractor expenses	3,276	-	965	2,311
Utilities and telephone	159,477	-	123,140	36,337
Gas and oil	10,339	-	3,600	6,739
Miscellaneous	28,525	3,906	18,898	5,721
Total operating expenses	<u>867,782</u>	<u>94,418</u>	<u>444,542</u>	<u>328,822</u>
Net operating income (loss)	<u>\$ (84,740)</u>	<u>\$ (94,418)</u>	<u>\$ 134,335</u>	<u>\$ (124,657)</u>

TOWN OF COTTONPORT, LOUISIANA

Schedule of Compensation Paid to Council Members
Year Ended June 30, 2022

Town Council Members -

Curtis J Francisco, Mayor Pro-Tem	\$ 4,900
Margaret Prater-Jenkins	4,950
Kenneth W. Friels	4,950
Demple Prater	<u>4,900</u>
	<u>\$ 19,700</u>

TOWN OF COTTONPORT, LOUISIANA

Schedule of Compensation, Benefits, and
Other Payments to Agency Head
June 30, 2022

Agency Head: William F. Scott, III, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 9,650
Benefits - retirement	738
	<u>\$ 10,388</u>

TOWN OF COTTONPORT
Cottonport, Louisiana

Justice System Funding Schedule - Collecting/Disbursing Entity
As Required by ACT 87 of the 2020 Regular Legislative Session

Cash Basis Presentation
Year Ended June 30, 2022

	<u>First Six Month Period Ended 12/31/2021</u>	<u>Second Six Month Period Ended 06/30/2022</u>
Beginning balance of amounts collected	\$ -	\$ -
Add: Collections		
Criminal Court Costs/Fees	19,916	37,116
Total collections	<u>19,916</u>	<u>37,116</u>
Less: Disbursements to Governments and Nonprofits		
Louisiana Assoc. of Chief Police - Criminal Court Costs/Fees	208	338
Louisiana Commission on Law Enforcement -		
Crime Victims Reparation - Criminal Court Costs/Fees	203	30
Law Enforcement Training - Criminal Court Costs/Fees	205	336
Louisiana State Treasurer -		
CMIS Special Court - Criminal Court Costs/Fees	312	513
Louisiana Supreme Court -		
Louisiana Judicial College- Criminal Court Costs/Fees	52	85
Louisiana Dept. of Health -		
Traumatic Head and Spinal Cord Injury - Criminal Court Costs/Fees	395	520
Central Louisiana Juvenile Detention - Criminal Court Costs/Fees	600	1,260
Less: Amounts retained by collecting agency		
Criminal Court Costs/Fees	<u>17,941</u>	<u>34,034</u>
Total disbursements	<u>19,916</u>	<u>37,116</u>
Total ending balance of amounts collected but not disbursed	<u>\$ -</u>	<u>\$ -</u>

TOWN OF COTTONPORT, LOUISIANA

LDCBG Program - Balance Sheet
June 30, 2022

Project
#2000434902

ASSETS

Cash	\$ 37,440
Grant revenue receivable	<u>29,661</u>
Total assets	<u>67,101</u>

FUND BALANCE

Liabilities:	
Construction and retainage payable	<u>66,878</u>
Fund balance:	
Restricted - capital outlay	<u>\$ 223</u>

TOWN OF COTTONPORT, LOUISIANA

LCDBG - Income Statement
For the Year Ended June 30, 2022

	Project #2000434902
Revenues:	
LCDBG program	<u>\$ 39,103</u>
Expenditures:	
Current -	
Project construction	<u>39,103</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>
Fund balance, beginning	<u>223</u>
Fund balance, ending	<u>\$ 223</u>

**INTERNAL CONTROL,
COMPLIANCE AND
OTHER MATTERS**

KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT AUDITOR'S 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 William F. Scott, III, Mayor
and Members of the Town Council
Town of Cottonport, 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, discretely presented component unit, and each major fund of the Town of Cottonport, Louisiana as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Cottonport, Louisiana's basic financial statements and have issued our report thereon dated July 27, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Cottonport, Louisiana's internal control over financial reporting (internal control) as a basis for designing 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 of Cottonport, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Cottonport, Louisiana'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as items 2022-001, 2022-002, 2022-003 and 2022-004 that we consider to be significant deficiencies.

Report on 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 financial statements. 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 current and prior year audit findings and management's corrective action plan as items 2022-005 and 2022-006.

Town of Cottonport, Louisiana's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Cottonport's response to the findings identified in our audit as described in the accompanying schedule of current and prior year audit findings and management's corrective action plan. The Town's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Alexandria, Louisiana
July 27, 2023

TOWN OF COTTONPORT, LOUISIANA

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended June 30, 2022

Part I: Current Year Findings and Management's Corrective Action Plan

A. Internal Control Over Financial Reporting

2022-001 Inadequate Segregation of Accounting Functions

CONDITION: The Town of Cottonport did not have adequate segregation of functions within the accounting system.

CRITERIA: AU-C §315.04, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, defines internal control as follows:

“Internal control is a process, affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.”

CAUSE: The cause of the condition is the fact that the Town does not have a sufficient number of staff performing administrative and financial duties so as to provide adequate segregation of accounting and financial duties.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Management should reassign incompatible duties among different employees to ensure that a single employee does not have control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recordkeeping; and (4) reconciliation.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Town concurs with the audit finding. Due to the size of staffing, the achievement of adequate segregation of duties is desirable, but cost prohibitive. All efforts are made to segregate duties where possible. To improve internal controls the Town Council monitors activity and account balances in all funds.

2022-002 Application of Generally Accepted Accounting Principles (GAAP)

Fiscal year finding initially occurred: Unknown

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to governmental entities in the financial statement preparation process.

TOWN OF COTTONPORT, LOUISIANA

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended June 30, 2022

CRITERIA: The Town's internal control over financial reporting includes policies and procedures that pertain to its ability to record, process, summarize, and report financial data consistent with the assertions embodied in the financial statements, including the ability of management and staff to detect potential misstatements that may exist in the financial statements and related disclosures.

CAUSE: The cause of the condition results from a reliance on the external auditor as part of the internal control process.

EFFECT: Financial statements and related supporting transactions may reflect a departure from generally accepted accounting principles.

RECOMMENDATION: Management should evaluate the added costs required to achieve the desired benefit and determine if it is economically feasible in relation to the benefit received.

MANAGEMENT'S CORRECTIVE ACTION PLAN: We evaluated the cost vs. benefit of establishing enhanced controls over financial reporting and determined that it would not be cost effective to enhance these controls. Currently, our financial staff receives annual training related to their job duties and we carefully review the financial statements, related notes, and all proposed adjustments. All questions are adequately addressed by our auditors, which allows us to appropriately supervise these functions. We feel that we have taken appropriate steps to reduce the financial statement risk caused by this finding.

2022-003 Reconciliations of Significant Accounts Balances

Fiscal year finding initially occurred: 2022

CONDITION: During the performance of our audit procedures, it was noted that reoccurring reconciliations performed over significant account balances were not being performed in a timely manner, and in some cases contained significant errors or omissions.

CRITERIA: AU-C §315.04, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, defines internal control as follows:

“Internal control is a process, affected by those charged with governance, management, and other personnel designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.”

TOWN OF COTTONPORT, LOUISIANA

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended June 30, 2022

CAUSE: The cause of the condition is the result of a failure to maintain existing internal controls over the reconciliations of significant account balances.

EFFECT: Failure to maintain these existing internal controls over the reconciliation of significant account balances could lead to errors or omissions that, if left uncorrected, could materially misstate the Town's financial statements.

RECOMMENDATION: Management should review current internal controls and job duties of staff to ensure adequate time is available to properly complete and maintain reconciliations of all significant account balances.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The finance department has experienced significant staffing turnover during the past eighteen months resulting in delays in reconciling certain significant account balances. The Town has contracted with an accounting firm to assist with the reconciliation process as well as train Town personnel to perform monthly reconciliations of all significant account balances.

2022-004 Grant Program Cash Management

Fiscal year finding initially occurred: 2022

CONDITION: During the performance of our audit procedures, it was noted that the Town did not minimize the time elapsed between receipt of grant funds from the grantee and the actual disbursement of those funds.

CRITERIA: Under 2 CFR 200.305(b), grantees are required to minimize the amount of time between the drawdown of funds and the expenditure of funds from their bank account. Funds must be drawn down only to meet a grantee's immediate cash needs for each individual grant.

CAUSE: The cause of the condition is the result of a failure to maintain internal controls over grant cash drawdown requests.

EFFECT: Failure to maintain these internal controls over grant cash drawdown request could lead to using grant funds for unallowed purposes which could result in program sanctions or termination of the grant contract by the grantee.

RECOMMENDATION: Management should review and enhance current internal controls and job duties of staff to ensure compliance with all grant cash management requirements .

TOWN OF COTTONPORT, LOUISIANA

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended June 30, 2022

MANAGEMENT'S CORRECTIVE ACTION PLAN: The finance department has experienced significant staffing turnover during the past eighteen months resulting in inadequate internal controls over grant cash management. The Town has contracted with an accounting firm to assist with training of Town personnel as well as developing and implementing internal controls over grant cash management.

B. Compliance

2022-005 Local Government Budget Act Noncompliance

Fiscal year finding initially occurred: 2021

CONDITION: The Town failed to complete and submit its proposed budget no later than fifteen days prior to its fiscal year end. Also, actual expenditures in the General Fund exceed budgeted expenditures by more than five percent.

CRITERIA: Louisiana State Statute RS 39:1301 *Louisiana's Local Government Budget Act*.

CAUSE: The cause of the condition is the result of a failure to design or implement policies and procedures necessary to ensure the timely preparation and submission of the Town's budget as well as monitor actual expenditures in the General Fund.

EFFECT: The Town may not comply with the provisions of RS 39:1301 and not prevent and/or detect overspending in the General Fund in a timely manner.

RECOMMENDATION: Management should develop policies and procedure to ensure the timely preparation and submission of the Town's annual budget and to periodically compare actual expenditures to budgeted expenditures in the General Fund to identify the need for budget amendments.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Management has agreed to develop and implement policies and procedure to ensure the timely preparation and submission of the Town's budget as well as prepare actual vs budget reports for review on a periodic basis and propose budget amendments as required under Louisiana State Statute RS 39:1301.

TOWN OF COTTONPORT, LOUISIANA

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended June 30, 2022

2022-006 Late Filing of Audit Report

Fiscal year finding initially occurred: 2022

CONDITION: The Town did not comply with LA R.S. 24:513, by not submitting its audited financial statements to the Louisiana Legislative Auditor within six months after its fiscal year end.

CRITERIA: LA R.S. 24:513.

CAUSE: The Town had difficulty producing records and accurate reconciliations requested during the performance of the annual audit.

EFFECT: The Town did not comply with applicable state law related to the submission of its annual financial statement audit report.

RECOMMENDATION: The Town should ensure compliance with LA R.S. 24:513 by producing adequate information and accurate reconciliations promptly.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Town is working with a contracted accounting firm to enhance its policies and procedures over the preparation of reconciliations and maintenance of its accounting records.

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2021-001 Inadequate Segregation of Accounting Functions

CONDITION: The Town of Cottonport did not have adequate segregation of functions within the accounting system.

RECOMMENDATION: Management should reassign incompatible duties among different employees to ensure that a single employee does not have control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recordkeeping; and (4) reconciliation

CURRENT STATUS: Unresolved. See item 2022-001

2021-002 Application of Generally Accepted Accounting Principles (GAAP)

CONDITION: Management and staff lack the ability and/or experience in the selection and application of generally accepted accounting principles, as applicable to governmental entities in the financial statement preparation process.

TOWN OF COTTONPORT, LOUISIANA

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended June 30, 2022

RECOMMENDATION: Management should evaluate the added costs required to achieve the desired benefit and determine if it is economically feasible in relation to the benefit received

CURRENT STATUS: Unresolved. See item 2022-002

B. Compliance

2021-003 Budget noncompliance

CONDITION: Actual expenditures in the Sales Tax fund exceed budgeted expenditures by more than five percent.

RECOMMENDATION: Management should periodically compare actual expenditures to budgeted expenditures in the General Fund to identify the need for budget amendments in a timelier manner.

CURRENT STATUS: Unresolved. See item 2022-005

Town of Cottonport
Cottonport, Louisiana

Statewide Agreed-Upon Procedures Report

Fiscal Period July 1, 2021 through June 30, 2022

KOLDER, SLAVEN & COMPANY, LLC

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Victor R. Slaven, CPA* - retired 2020
Christine C. Doucet, CPA – retired 2022

INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING AGREED-UPON PROCEDURES

* A Professional Accounting Corporation

To the Board of the Town of Cottonport,
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor’s (LLA’s) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2021 through June 30, 2022. The Town of Cottonport’s management is responsible for those C/C areas identified in the SAUPs.

The Town of Cottonport has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA’s SAUPs for the fiscal period July 1, 2021 through June 30, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. We obtained and inspected the entity’s written policies and procedures and observed 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, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- 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 (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that document is maintained to demonstrate that all employees and officials were notified of any changes to 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.
- k) ***Information Technology Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

We performed the procedures and discussed the results with management.

- l) ***Sexual Harassment***, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

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 meets 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 whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned 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.

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 included evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations included 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's closing date, if applicable.

Collections (excluding electronic funds transfers)

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 selected 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/official verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (selected the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly selected 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 and the cash is stored securely in a locked safe or drawer).

- e) Trace the actual deposit per the bank statement to the general ledger.

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, inquired 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, obtained 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 whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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) were reviewed and approved, in writing (or electronically approved), 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). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

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, observe the approved reimbursement rate is no more than 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 each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

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 whether 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 and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).
 - 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 the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel

16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or 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 or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe all selected employees/officials documented their daily attendance and leave (e.g., vacation, sickness, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document their attendance and leave. However, if the official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.
 - c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

- d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agreed the hours to the employee or officials' cumulate leave records, agreed the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
 19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

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 whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspected debt covenants, obtain supporting documentation for the reserve balance and payments, and agreed actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the

misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

24. Observe the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Information Technology Disaster Recovery/ Business Continuity

25. Perform the following procedures, verbally discuss the results with management, and report “We performed the procedures and discussed the results with management.”
 - a) Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
 - b) Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/ verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - c) Obtain a listing of the entity’s computers currently in use and their related locations, and management’s representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

We performed the procedures and discussed the results with management.

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.
27. Observe the entity has posted its sexual harassment policy and compliant procedure on its website (or in a conspicuous location on the entity’s premises if the entity does not have a website).
28. Obtain the entity’s annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:
 - a) Number and percentage of public servants in the agency who have completed the training requirements.

- b) Number of sexual harassment complaints received by the agency.
- c) Number of complaints which resulted in a finding that sexual harassment resulted in discipline or corrective action; and
- d) The amount of time it took to resolve each complaint.

Findings:

No exceptions were found as a result of applying procedures listed above except:

Written Policies:

The Town of Cottonport's written policies and procedures do not include the following.

- The payroll/personnel policy does not include 1) payroll processing, 2) reviewing and approving time and attendance records, including leave and overtime worked 3) the approval process for employee's rate of pay or approval and maintenance of pay rate schedules.
- The ethics policy does not include 1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121. 2) the actions to be taken if an ethics violation takes place 3) a system to monitor possible ethics violations 4) a requirement of documentation that is maintained to demonstrate that all employees and officials are notified of any changes to the entity's ethics policy.
- A written policy on debt service which includes 1) debt issuance approval 2) continuing disclosure/EMMA reporting requirements 3) debt reserve requirements 4) debt service requirements.
- The sexual harassment policy does not include R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Board:

The Town of Cottonport does not reference nor include monthly budget-to-actual comparisons for the General Fund, quarterly budget-to-actual comparison for proprietary funds, and semi-annual budget-to-actual comparisons for all special revenue funds in the Board's meeting minutes.

Bank Reconciliations:

The Town of Cottonport did not 1) prepare bank reconciliations within two months of the statement closing date 2) bank reconciliations did not include evidence of a member of management/board member, who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation 3) bank reconciliations do not include evidence of

management researching items outstanding for more than 12 months from statement closing date.

Cash Collections:

The person responsible for collecting cash is also responsible for preparing/making bank deposits, posting collection entries to the general ledger or subsidiary ledgers, and reconciling cash collections to the general ledger by revenue source and/or agency fund additions.

We were unable to complete cash collections testing because the Town of Cottonport was unable to provide support for 8 of 9 deposits selected for verification.

Disbursements:

The Town of Cottonport does not have written documentation that the employee responsible for processing payments is prohibited from adding/modifying vendor files.

Credit/Debit/Fuel Cards:

1 of 8 transactions selected for testing did not include a detailed itemized receipt to support the transaction.

5 of 8 transactions selected for testing did not include written documentation of the business/public purpose of the transactions.

A late fee was assessed on a Capital One trade credit account provided by a local vendor.

Travel and Expense Reimbursement:

The Town of Cottonport was unable to provide documentation for 1 of 2 transactions selected for testing.

Documentation to support the transaction tested did not include the business/public purpose nor the names of individuals who participated in the meal.

Ethics:

Ethics training documentation was provided for 1 of 5 employees selected for testing.

The Town of Cottonport did not maintain documentation that each employee/official are notified of any changes to the entity's ethics policy during the fiscal year, as applicable.

Fraud Notice:

The Town of Cottonport does not have the "fight fraud" link posted on its website.

Sexual Harassment:

The Town of Cottonport did not 1) have employees complete at least one hour of sexual harassment training during the calendar year 2) have sexual harassment policy and complaint procedure posted on its website 3) prepare an annual sexual harassment report as provided by the requirements of Louisiana Revised Statute 42:344

Management’s Response:

The management of the Town of Cottonport concurs with the exceptions and are working to address the deficiencies as identified.

We were engaged by the Town of Cottonport to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, 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.

We are required to be independent of the Town of Cottonport and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended 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.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Alexandria, Louisiana
July 27, 2023