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**TOWN OF COTTON VALLEY**  
**COTTON VALLEY, LOUISIANA**  
**GENERAL PURPOSE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999**

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

Release Date 7/12/00

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**TOWN OF COTTON VALLEY**  
**COTTON VALLEY, LOUISIANA**

**DECEMBER 31, 1999**

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# Milton E. Kelley

Certified Public Accountant

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May 31, 2000

Honorable Jack Maynor, Mayor  
and Board of Aldermen  
Town of Cotton Valley  
Cotton Valley, Louisiana

## INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying general purpose financial statements of the Town of Cotton Valley, Louisiana, as of December 31, 1999 for the year then ended. These general purpose financial statements are the responsibility of the Town of Cotton Valley's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

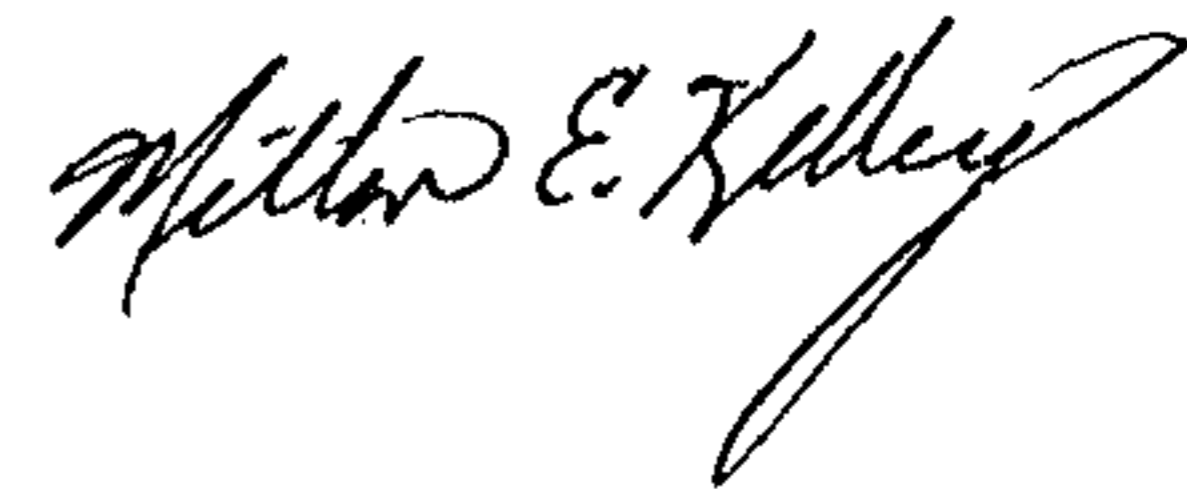
I conducted my audit in accordance with generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable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

In my opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Town of Cotton Valley, as of December 31, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 31, 2000 on my consideration of the Town of Cotton Valley's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, and contracts.

Honorable Jack Maynor, Mayor  
and Board of Aldermen  
Town of Cotton Valley  
May 31, 2000  
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My audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as supporting schedules in the table of contents and shown on pages 16-28 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Town of Cotton Valley. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly presented in all material respects in relation to the general purpose financial statements as a whole.

A handwritten signature in black ink, reading "Milton E. Kelley". The signature is written in a cursive style with a long, sweeping tail on the letter "y".

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**GENERAL PURPOSE FINANCIAL STATEMENTS**

TOWN OF COTTON VALLEY

COMBINED BALANCE SHEETS-ALL FUND TYPES AND ACCOUNT GROUPS

DECEMBER 31, 1999

<u>ASSETS</u>	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
Cash	22,698	9,262	1,116
Receivables:			
Accounts receivable (net) (Note 2)	8,684		
Due from other funds (Note 7)		5,510	13,634
Restricted assets: (Note 3)			
Cash			
Buildings			
Office furniture & fixtures			
Police equipment			
Plant and equipment-utility property			
Accumulated depreciation			
Amount to be provided from:			
Ad valorem taxes	-	-	-
Total assets	<u>31,382</u>	<u>14,772</u>	<u>14,750</u>

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

Proprietary Fund Types	Account Groups		Total
	General Fixed Asset	General Long- Term Obligations	(Memorandum Only) 1999
Enterprise			
3,658			36,734
15,659			24,343
5,500			24,644
15,560			15,560
	138,357		138,357
2,700	17,710		17,710
	3,891		3,891
1,729,091 (386,433)			1,731,791 (386,433)
		68,000	68,000
<u>1,385,735</u>	<u>159,958</u>	<u>68,000</u>	<u>1,674,597</u>

TOWN OF COTTON VALLEY

COMBINED BALANCE SHEETS-ALL FUND TYPES AND ACCOUNT GROUPS

DECEMBER 31, 1999

LIABILITIES AND FUND EQUITY	Governmental Fund Types		
	General	Special Revenue	Debt Service
<b>Liabilities:</b>			
Accounts payable			
Due to other funds (Note 7)	13,634		5,500
Meter deposits			
Accrued interest payable			
Payroll taxes, penalty and interest	31,390		
Bonds payable (Note 4)			
Total liabilities	45,024		5,500
<b>Fund equity:</b>			
Contributed capital			
Investment in General Fixed Assets			
Retained earnings:			
Reserved			
Unreserved			
Fund Balances:			
Reserved for debt service			9,250
Unreserved (deficit)	(13,642)	14,772	
Total retained earnings and fund balances	(13,642)	14,772	9,250
Total fund equity	(13,642)	14,772	9,250
Total liabilities and fund equity	31,382	14,772	14,750

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



<u>Proprietary Fund Types Enterprise</u>	<u>Account Groups</u>		<u>Total (Memorandum Only) 1999</u>
	<u>General Fixed Asset</u>	<u>General Long- Term Obligations</u>	
243			243
5,510			24,644
18,314			18,314
5,197			5,197
405,400		68,000	31,390
			473,400
434,664		68,000	553,188
953,282	159,958		953,282
15,560			159,958
(17,771)			15,560
			(17,771)
			9,250
			1,130
(2,211)			8,169
951,071	159,958		1,121,409
1,385,735	159,958	68,000	1,674,597

**TOWN OF COTTON VALLEY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES-ALL GOVERNMENTAL FUND TYPES**

**DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>(Memorandum Only) 1999</u>
<b>Revenues:</b>				
Taxes	33,058	47,480	6,566	87,104
License and permits	23,609			23,609
Fines and forfeitures	1,450			1,450
Grant Revenue	11,538			11,538
Intergovernment Revenue	13,972			13,972
Rental income	1,478			1,478
Miscellaneous revenue	894	195		1,089
Total Revenues	<u>85,999</u>	<u>47,675</u>	<u>6,566</u>	<u>140,240</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	66,648	475		67,123
Public Safety	43,221			43,221
Streets	18,684			18,684
<b>Debt service:</b>				
Principal retirement			2,000	2,000
Interest and fiscal chargess			3,500	3,500
Capital Expenditures	15,727			15,727
Total expenditures	<u>144,280</u>	<u>475</u>	<u>5,500</u>	<u>150,255</u>
<b><u>Excess (deficiency) of revenues over expenditures</u></b>				
<b><u>Other financing sources (uses):</u></b>				
Operating transfers in	59,541			59,541
Operating transfers out		55,394		55,394
Total other financing sources (uses)	<u>59,541</u>	<u>55,394</u>		<u>4,147</u>
<b><u>Excess (deficiency) of revenues and other sources over expenditures and other uses</u></b>	1,260	(8,194)	1,066	(5,868)
<b><u>Fund balances - beginning</u></b>	<u>(14,902)</u>	<u>22,966</u>	<u>8,184</u>	<u>16,248</u>
<b><u>Fund balances - ending (deficit)</u></b>	<u>(13,642)</u>	<u>14,772</u>	<u>9,250</u>	<u>10,380</u>

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

TOWN OF COTTON VALLEY

COTTON VALLEY, LOUISIANA

COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND

BALANCES BUDGET (GAAP BASIS) AND ACTUAL-GENERAL SPECIAL

REVENUE AND DEBT SERVICE FUND TYPES FOR THE YEAR ENDED

DECEMBER 31, 1999

		General Fund	
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes:			
Ad valorem	9,200	11,834	2,634
Franchise	18,000	21,224	3,224
Sales		0	
Licenses and permits	21,500	23,609	2,109
Intergovernmental	10,000	13,972	3,972
Tobacco taxes	0	11,538	11,538
Fines and miscellaneous	9,000	3,822	(5,178)
Interest income			
Total revenue	<u>67,700</u>	<u>85,999</u>	<u>18,299</u>
Expenditures:			
Current:			
General government	45,745	66,648	(20,903)
Public Safety:	44,000	43,221	779
Police			
Streets	14,900	18,684	(3,784)
Debt service			
Principal retirement			
Interest			
Capital Expenditures	<u>16,000</u>	<u>15,727</u>	<u>273</u>
Total expenditures	<u>120,645</u>	<u>144,280</u>	<u>(23,635)</u>
Excess revenues over (under) expenditures			
Other financing sources (uses):			
Operating transfers in	55,000	59,541	4,541
Operating transfers out	<u>0</u>	<u>0</u>	<u>0</u>
Other financing sources (uses)		<u>59,541</u>	<u>4,541</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>2,055</u>	<u>1,260</u>	<u>(795)</u>
Fund balance-beginning	<u>(14,902)</u>	<u>(14,902)</u>	<u>0</u>
Fund balance-ending	<u>(12,847)</u>	<u>(13,642)</u>	<u>(795)</u>

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

<u>Special Revenue Fund Types</u>			<u>Debt Service Fund Type</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable Unfavorable</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable Unfavorable</u>
			6,500	6,566	66
47,000	47,480	480			
0	195	195			
<u>47,000</u>	<u>47,675</u>	<u>675</u>	<u>6,500</u>	<u>6,566</u>	<u>66</u>
0	475	(475)			
			2,500	2,000	500
			4,600	3,500	1,100
<u>0</u>	<u>475</u>	<u>(475)</u>	<u>7,100</u>	<u>5,500</u>	<u>1,600</u>
<u>55,000</u>	<u>55,394</u>	<u>(394)</u>			
<u>55,000</u>	<u>55,394</u>	<u>(394)</u>			
<u>(8,000)</u>	<u>(8,194)</u>	<u>(194)</u>	<u>(600)</u>	<u>1,066</u>	<u>1,666</u>
<u>22,966</u>	<u>22,966</u>	<u>0</u>	<u>8,184</u>	<u>8,184</u>	
<u>14,966</u>	<u>14,772</u>	<u>(194)</u>	<u>7,584</u>	<u>9,250</u>	<u>1,666</u>

TOWN OF COTTON VALLEY

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
RETAINED EARNINGS-ALL PROPRIETARY FUND TYPES FOR  
THE YEAR ENDED DECEMBER 31, 1999

	<u>Enterprise Funds</u>
<u>Operating revenues:</u>	
Charges for service	<u>158,370</u>
Total operating revenues	158,370
<u>Operating expenses:</u>	
General and administrative expenses	21,029
Water and sewer department expenses	<u>170,988</u>
Total operating expenses	<u>192,017</u>
<u>Income loss from operations</u>	(33,647)
<u>Non-operating revenues:</u>	
Grant Funds Received	153,497
Interest income	<u>637</u>
Total non-operating revenues	154,134
<u>Other use of funds</u>	
Transfer to General Fund	<u>4,147</u>
<u>Net income (loss)</u>	116,340
<u>Decrease in reserved retained earnings</u>	(2,632)
<u>Retained earnings-beginning</u>	(19,955)
Retained earnings-reserved	15,560
Add: Depreciation charged to contributed capital	41,973
Less: Grant in aid contributed capital	<u>(153,497)</u>
Retained earnings-ending (deficit)	<u><u>(2,211)</u></u>

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

**TOWN OF COTTON VALLEY**

**COMBINED STATEMENT OF CASH FLOWS**

**ALL PROPRIETARY FUND TYPES**

**FOR THE YEAR ENDED DECEMBER 31, 1999**

<u>Cash flows from operating activities:</u>	
Net income (loss)	116,340
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	41,973
(Increase) decrease in:	
Accounts receivable	7,467
Due from other funds	1,809
Increase (decrease) in:	
Accounts payable	(2,301)
Due to other funds	(7,890)
Meter deposits	(1,055)
Accrued expenses	186
Net cash provided by operating activities	156,529
<u>Cash flows from capital and related financing activities:</u>	
Principal paid on Revenue Bonds	(23,114)
Fixed asset additions	(154,714)
Net cash provided (used) from capital and related financing activities	(177,828)
<u>Net increase (decrease) in cash and cash equivalents</u>	(21,299)
<u>Cash and cash equivalents-December 31, 1998</u>	40,517
<u>Cash and cash equivalents-December 31, 1999</u>	19,218

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

**TOWN OF COTTON VALLEY**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 1999**

1. **Summary of significant accounting policies**

The Town of Cotton Valley was incorporated February 25, 1944, under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Aldermen form of government.

A. **Basis of Presentation**

The accompanying financial statements of the Town of Cotton Valley have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles, except for the following item.

The Town does not account for fixed assets that are required to be maintained in a general fixed assets account group, by generally accepted accounting principles. The Town also did not prepare budgets for the various funds as required by the Louisiana Local Government Budget Act.

B. **Reporting Entity**

The financial reporting entity consists of (a) the primary government (Town of Cotton Valley), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Town of Cotton Valley for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

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

The Town of Cotton Valley had no component units.

- C. Fund accounting-The accounts of the Town of Cotton Valley are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two broad fund categories and these into four generic fund types as follows:

**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 -** Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes.

**Debt Service Funds -** Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

**Proprietary Fund -**

**Enterprise Fund -** 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, excluding 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 the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fixed assets and long-term liabilities-The accounting and reporting treatment applied to the long-term liabilities associated with a fund are determined by its measurement focus.

All governmental fund type operations are accounted for on a spending or "financial flow" measurement focus and only current assets and current liabilities are generally included on their balance sheets.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group.



The proprietary fund is accounted for on a cost of services or "capital maintenance" measurement focus, and all assets, and all liabilities whether current or noncurrent associated with its activity are included on its balance sheet.

#### Fixed Assets

##### General Fixed Assets Account Group

Fixed assets of governmental funds are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized (reported) in the general fixed assets account group. Public domain ("infrastructure") general fixed assets are not capitalized along with other general fixed assets. No depreciation has been provided on such assets. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair value on the date donated. Repairs and maintenance are recorded as expenditures; renewals and betterments are capitalized.

- D. Basis of accounting-All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred except that accumulated unpaid vacation and sick-pay are not accrued and principal and interest on general long-term debt is recognized when due. Purchases of various operating supplies are regarded as expenditures at the time purchased.

All proprietary funds are accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred.

- E. Budgets and budgetary accounting-The Town used the following procedures in establishing the budgetary data for the year ended December 31, 1999.
- (a) The Town Clerk prepares a proposed budget and submits same to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
  - (b) The public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
  - (c) A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
  - (d) After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.

- (e) Budgetary amendments involving the transfer of the funds from one department, program or function to another or involving increases or decreases in expenditures resulting from revenues exceeding or failing to meet amounts estimated require the approval of the Board of Aldermen.
- (f) All budgetary appropriations lapse at the end of each fiscal year.
- F. Certificates of deposit-Time certificates of deposit are included in cash, and are stated at cost.
- G. Bad debts-The Town uses the direct charge-off method of accounting for uncollectible ad valorem taxes and utility receivables.
- H. Property taxes-Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable by December 31. The Town ad valorem tax bills are prepared by the Webster Parish tax assessor but are collected by the Town. Town property tax revenues are recognized as revenues when they are measurable and available. Property taxes are considered available if they are expected to be collected within sixty days after December 31.
- I. Total columns on combined statements-Total columns on combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.
- J. Cash - Statement of cash flows, Water Fund and Sewer Fund-For purposes of the statement of cash flows, the Water Fund and Sewer Fund considers all cash (including certificates of deposit and restricted assets) to be cash equivalents.
- K. Segment information on enterprise funds-The majority of Segment information required to be disclosed is included in Statement of Revenues, Expenses, and Changes in Retained Earnings - Proprietary Funds. Other segment information is presented as follows:

The Water Fund provides water and related services both within and outside the boundaries of the Town. The Sewer Fund provides sewer services both within and outside the boundaries of the Town.

Net working capital is shown below:

	<u>Water and Sewer Fund</u>
Current assets	24,817
Current liabilities	<u>5,440</u>
Net working capital	<u>19,377</u>

2. Ad valorem taxes

For the year ended December 31, 1999 taxes of 11.07 mills were levied on property and were dedicated as follows:

General corporate purposes	7.12 mills
Debt service	3.95 mills

There were taxes receivable of \$ 8,684 at December 31, 1999.

3. Restricted assets - Proprietary Fund Types

Restricted assets were applicable to the following at December 31, 1999:

	<u>Water and Sewer Fund</u>
Meter deposits	11,957.
Bond sinking account	41.
Bond reserve account	3,460.
Depreciation and contingency	<u>102.</u>
Total restricted assets	<u><u>15,560.</u></u>

4. General long-term debt

The following is a summary of changes in general long-term debt for the year ended December 31, 1999.

	<u>General Obligation</u>	<u>Revenue</u>	<u>Total</u>
Simmons Water System, note payable		200,000	200,000
Bonds payable, original amount	90,000	424,131	514,131
Principal retired	<u>(22,000)</u>	<u>(218,731)</u>	<u>(240,731)</u>
Bonds payable, December 31, 1999	<u>68,000</u>	<u>405,400</u>	<u>473,400</u>

General obligation bonds at December 31, 1999 are comprised of the following individual issues:

General obligation bonds

\$90,000 General Obligation Bonds of the Town of Cotton Valley dated July 29, 1980; due in annual installments of \$1,000 - \$5,000 through July 29, 2020; interest at 5%. This issue is secured by levy and collection of ad valorem taxes.

68,000

Revenue bonds at December 31, 1999 are comprised of the following issues:

\$180,000 Water and Sewer Revenue Bonds of the Town of Cotton Valley dated August 1, 1974; due in annual installments of \$1,000 - \$11,000 through January 1, 2014; interest at 5%.	113,000
\$190,000 Sewer Revenue Bonds, Series A, and \$35,000 Sewer Revenue Bonds, Series B, of the Town of Cotton Valley dated July 29, 1980; due in combined annual installments of \$3,000 - \$11,000 through July 29, 2020; interest at 5%.	158,000
\$200,000 Water Revenue Bonds of the Town of Cotton Valley dated January 31, 1993; due in monthly installments of \$1,000 for 200 months, commencing on February 15, 1993. The note is non-interest bearing.	118,490
\$8,905.35 Water Revenue Bonds of the Town of Cotton Valley dated June 15, 1993; due in monthly installments of \$609.00 each for 28 years, commencing on June 15, 1993 until paid. Interest is at 5%.	7,791
\$10,225.76 Water Revenue Bonds of the Town of Cotton Valley dated June 15, 1993; due in monthly installments of \$821.00 each for 21 years, commencing on June 15, 1993 until paid. Interest is at 5%.	<u>8,119</u>
Total revenue bonds	<u>473,400</u>

The annual requirements to amortize general long-term debt outstanding as of December 31, 1999, including interest payments, are presented below:

<u>Year Ending</u> <u>December 31</u>	<u>General</u> <u>Obligation</u>	<u>Revenue</u>	<u>Total</u>
2000	5,400	37,980	43,380
2001	5,300	38,430	43,730
2002	5,200	37,630	42,830
2003	5,100	38,030	43,130
Thereafter	<u>90,600</u>	<u>405,302</u>	<u>495,902</u>
Totals	<u>111,600</u>	<u>557,372</u>	<u>668,972</u>

\$3,501 is available in the Debt Service Funds to service the general obligation bonds. There are a number of limitations and restrictions contained in the various bond indentures. The Town is in non-compliance with some significant limitations and restrictions.

5. Sales and use tax

The proceeds of the 1% sales and use tax passed by the voters of the Town of Cotton Valley may be used only for the operation of the police department and for the maintenance of streets and operations of street lights. The Webster Parish School Board collects the tax for the Town, remitting to the Town on a weekly basis, for a fee of 1% of collections.

6. Cash and cash equivalents

The following is a summary of cash and cash equivalents (book balances) at December 31, 1999:

Demand deposits	1,116
Interest-bearing demand deposits	61,193
Time deposits	<u>1,834</u>
 Total	 <u><u>64,143</u></u>

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

At December 31, 1999, the Town had \$64,143 in deposits (collected bank balances). These deposits are secured from risk by \$64,143 of federal deposit insurance. The accounts are held at Hibernia National Bank.

7. Individual fund interfund receivable and payable balances

Such balances at December 31, 1998 were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Enterprise Fund	5,500	5,510
Debt Service Fund	13,634	5,500
General Fund	0	13,634
Sales Tax Fund	<u>5,510</u>	<u>0</u>
 Totals	 <u><u>24,644</u></u>	 <u><u>24,644</u></u>

**SUPPORTING SCHEDULES**

**UTILITY FUND**

TOWN OF COTTON VALLEY

UTILITY FUND

STATEMENTS OF OPERATING EXPENSES FOR THE YEAR ENDED

DECEMBER 31, 1999

	<u>Water and Sewer Department</u>	<u>General and Administrative</u>
Auto and truck expense	9,364	
Interest expense	15,112	
Office and general expense		3,620
Payroll taxes	3,487	918
Salaries	45,578	12,000
Sales tax	4,730	
Utilities	12,621	
Water and sewer analysis and engineering fees	2,675	
Water line and tank, repairs and meters	32,040	3,930
Depreciation	41,412	561
Insurance	<u>3,969</u>	<u>          </u>
Totals	<u>170,988</u>	<u>21,029</u>



TOWN OF COTTON VALLEY

UTILITY REVENUE BONDS PAYABLE

5.00% PUBLIC IMPROVEMENT

BONDS OF 1980 OUTSTANDING AT DECEMBER 31, 1999

Bonds dated July 29, 1980 - Due July 29th of each year. Interest payable July 29th.

Original Issue	225,000
<u>Less-Retired through December 31, 1999-Bonds</u>	<u>67,000</u>
Balance outstanding at December 31, 1999	<u>158,000</u>

<u>Maturity</u>	<u>Amount of Bonds Due</u>	<u>Amount of Interest Due</u>	<u>Total Amount Due</u>
7/29/2000	6,000	7,900	13,900
7/29/2001	6,000	7,600	13,600
7/29/2002	6,000	7,300	13,300
7/29/2003	7,000	7,000	14,000
7/29/2004	7,000	6,650	13,650
7/29/2005	7,000	6,300	13,300

CONTINUED

TOWN OF COTTON VALLEY

UTILITY REVENUE BONDS PAYABLE

5.00% PUBLIC IMPROVEMENT

BONDS OF 1980 OUTSTANDING AT DECEMBER 31, 1999

<u>Maturity</u>	<u>Amount of Bonds Due</u>	<u>Amount of Interest Due</u>	<u>Total Amount Due</u>
7/29/2006	5,000	5,950	10,950
7/29/2007	6,000	5,700	11,700
7/29/2008	6,000	5,400	11,400
7/29/2009	6,000	5,100	11,100
7/29/2010	6,000	4,800	10,800
7/29/2011	7,000	4,500	11,500
7/29/2012	7,000	4,150	11,150
7/29/2013	8,000	3,800	11,800
7/29/2014	8,000	3,400	11,400
7/29/2015	9,000	3,000	12,000
7/29/2016	9,000	2,550	11,550
7/29/2017	10,000	2,100	12,100
7/29/2018	10,000	1,600	11,600
7/29/2019	11,000	1,100	12,100
7/29/2020	<u>11,000</u>	<u>550</u>	<u>11,550</u>
Totals	<u>158,000</u>	<u>96,450</u>	<u>254,450</u>

**TOWN OF COTTON VALLEY**

**UTILITY REVENUE BONDS PAYABLE**

**5.00% PUBLIC IMPROVEMENT**

**BONDS OF 1974 OUTSTANDING AT DECEMBER 31, 1999**

Bonds dated August 1, 1974 - Due January 1st of each year. Interest payable January 1st.

Original Issue	180,000
<u>Less-Retired through December 31, 1999</u>	<u>67,000</u>
Balance outstanding at December 31, 1999	<u>113,000</u>

<u>Maturity</u>	<u>Amount of Bonds Due</u>	<u>Amount of Interest Due</u>	<u>Total Amount Due</u>
1/01/2001	5,000	5,650	10,650
1/01/2002	6,000	5,400	11,400
1/01/2003	6,000	5,100	11,100
1/01/2004	6,000	4,800	10,800
1/01/2005	7,000	4,500	11,500
1/01/2006	7,000	4,150	11,150
1/01/2007	8,000	3,800	11,800
1/01/2008	8,000	3,400	11,400

CONTINUED

**TOWN OF COTTON VALLEY**

**UTILITY REVENUE BONDS PAYABLE**

**5.00% PUBLIC IMPROVEMENT**

**BONDS OF 1974 OUTSTANDING AT DECEMBER 31, 1999**

	<u>Maturity</u>	<u>Amount of Bonds Due</u>	<u>Amount of Interest Due</u>	<u>Total Amount Due</u>
	1/01/2009	9,000	3,000	12,000
	1/01/2010	9,000	2,550	11,550
	1/01/2011	10,000	2,100	12,100
	1/01/2012	10,000	1,600	11,600
	1/01/2013	11,000	1,100	12,100
	1/01/2014	<u>11,000</u>	<u>550</u>	<u>11,550</u>
Totals		<u>113,000</u>	<u>47,700</u>	<u>160,700</u>

**TOWN OF COTTON VALLEY**

**UTILITY REVENUE BONDS PAYABLE**

**5% PUBLIC IMPROVEMENT RESTRUCTURING**

**BONDS OF 1993 OUTSTANDING AT DECEMBER 31, 1999**

Bonds dated 6/15/93-Due June 15th of each year.

Original issue	8,905.35
<u>Less: Retired through December 31, 1999</u>	<u>1,113.69</u>
Balance outstanding at December 31, 1999	<u>7,791.66</u>

<u>Maturity</u>	<u>Amount of Bonds Due</u>	<u>Amount of Interest Due</u>	<u>Total Amount Due</u>
6/15/00	219.42	389.58	609.00
6/15/01	230.39	378.61	609.00
6/15/02	241.91	367.09	609.00
6/15/03	254.00	355.00	609.00
6/15/04	266.70	342.30	609.00
6/15/05	280.04	328.96	609.00
6/15/06	294.04	314.96	609.00

CONTINUED

TOWN OF COTTON VALLEY

UTILITY REVENUE BONDS PAYABLE

5% PUBLIC IMPROVEMENT RESTRUCTURING

BONDS OF 1993 OUTSTANDING AT DECEMBER 31, 1999

<u>Maturity</u>	<u>Amount of Bonds Due</u>	<u>Amount of Interest Due</u>	<u>Total Amount Due</u>
6/15/07	308.74	300.26	609.00
6/15/08	324.18	284.82	609.00
6/15/09	340.39	268.61	609.00
6/15/10	357.41	251.59	609.00
6/15/11	375.28	233.72	609.00
6/15/12	394.04	214.96	609.00
6/15/13	413.74	195.26	609.00
6/15/14	434.43	174.57	609.00
6/15/15	456.15	152.85	609.00
6/15/16	478.96	130.04	609.00
6/15/17	502.91	106.09	609.00
6/15/18	528.05	80.95	609.00
6/15/19	554.46	54.54	609.00
6/15/20	<u>536.42</u>	<u>26.82</u>	<u>563.24</u>
Totals	<u>7,791.66</u>	<u>4,951.58</u>	<u>12,743.24</u>

**TOWN OF COTTON VALLEY**

**UTILITY REVENUE BONDS PAYABLE**

**5% PUBLIC IMPROVEMENT RESTRUCTURING BONDS**

**OF 1993 OUTSTANDING AT DECEMBER 31, 1999**

Bonds dated 6/15/93-Due June 15th of each year

Original issue	10,225.76
<u>Less: Retired through December 31, 1999</u>	<u>2,106.64</u>
Balance outstanding at December 31, 1999	<u>8,119.12</u>

<u>Maturity</u>	<u>Amount of Bonds Due</u>	<u>Amount of Interest Due</u>	<u>Total Amount Due</u>
06/15/00	415.04	405.96	821.00
06/15/01	435.80	385.20	821.00
06/15/02	457.59	363.41	821.00
06/15/03	480.47	340.53	821.00
06/15/04	504.49	316.51	821.00
06/15/05	529.71	291.29	821.00
06/15/06	556.20	264.80	821.00

CONTINUED

TOWN OF COTTON VALLEY

UTILITY REVENUE BONDS PAYABLE

5% PUBLIC IMPROVEMENT RESTRUCTURING BONDS

OF 1993 OUTSTANDING AT DECEMBER 31, 1999

<u>Maturity</u>	<u>Amount of Bonds Due</u>	<u>Amount of Interest Due</u>	<u>Total Amount Due</u>
06/15/07	584.01	236.99	821.00
06/15/08	613.21	207.79	821.00
06/15/09	643.87	177.13	821.00
06/15/10	676.06	144.94	821.00
06/15/11	709.87	111.13	821.00
06/15/12	745.36	75.64	821.00
06/15/13	<u>767.44</u>	<u>38.37</u>	<u>805.81</u>
Totals	<u>8,119.12</u>	<u>3,359.69</u>	<u>11,478.81</u>



**TOWN OF COTTON VALLEY**

**GENERAL LONG-TERM DEBT**

**5% PUBLIC IMPROVEMENT G. O. BONDS**

**BONDS OF 1980 OUTSTANDING AT DECEMBER 31, 1999**

G. O. Bonds dated July 29, 1980-Due July 29th of each year. Interest payable July 29th.

Original Issue	90,000
<u>Less: Retired through December 31, 1999-Bonds</u>	<u>22,000</u>
Balance outstanding at December 31, 1999	<u>68,000</u>

<u>Maturity</u>	<u>Amount of Bonds Due</u>	<u>Amount of Interest Due</u>	<u>Total Amount Due</u>
7/29/2000	2,000	3,400	5,400
7/29/01	2,000	3,300	5,300
7/29/02	2,000	3,200	5,200
7/29/03	2,000	3,100	5,100
7/29/04	2,000	3,000	5,000
7/29/05	2,000	2,900	4,900
7/29/06	3,000	2,800	5,800

CONTINUED

TOWN OF COTTON VALLEY

GENERAL LONG-TERM DEBT

5% PUBLIC IMPROVEMENT G. O. BONDS

BONDS OF 1980 OUTSTANDING AT DECEMBER 31, 1999

<u>Maturity</u>	<u>Amount of Bonds Due</u>	<u>Amount of Interest Due</u>	<u>Total Amount Due</u>
7/29/07	3,000	2,650	5,650
7/29/08	3,000	2,500	5,500
7/29/09	3,000	2,350	5,350
7/29/10	3,000	2,200	5,200
7/29/11	3,000	2,050	5,050
7/29/12	3,000	1,900	4,900
7/29/13	4,000	1,750	5,750
7/29/14	4,000	1,550	5,550
7/29/15	4,000	1,350	5,350
7/29/16	4,000	1,150	5,150
7/29/17	4,000	950	4,950
7/29/18	5,000	750	5,750
7/29/19	5,000	500	5,500
7/29/20	<u>5,000</u>	<u>250</u>	<u>5,250</u>
Totals	<u>68,000</u>	<u>43,600</u>	<u>111,600</u>

TOWN OF COTTON VALLEY

COTTON VALLEY, LOUISIANA

SCHEDULE OF AMOUNTS PAID TO MEMBERS OF THE GOVERNING BODY

FOR THE YEAR ENDED DECEMBER 31, 1999

Mayor-Jack Maynor, Jr.-Allowance	5,200
Aldermen:	
J. T. Lash	1,200
M. B. Edwards	1,200
Rev. Martin Jackson	1,200
Keith Chandler	1,200
Curtis Walker	<u>1,100</u>
Total	<u>11,100</u>

**TOWN OF COTTON VALLEY**

**COTTON VALLEY, LOUISIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED DECEMBER 30, 1999**

<u>Federal Grantor-Program Title</u>	<u>Pass Through Grantor's Number</u>	<u>CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture - Rural Development - Direct Program-Water and Waste Disposal Systems for Rural Communities (Outstanding loan balances)	N/A	10	\$ 354,911
U.S. Department of Health and Human Services Passed through Louisiana Community Development Block Grant Community Development Block Grant/State Prog Sewer system improvements	780-0217	14.228	\$ 104,499

Note 1: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

Note 2: The Town had the following loan balances outstanding at December 31, 1999. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

On July 29, 1980 Utility Revenue Bonds were issued by the Town totaling \$225,000, with a remaining balance of \$158,000 at December 31, 1999.

On August 1, 1974 Utility Revenue Bonds were issued by the Town totaling \$180,000, with a remaining balance of \$113,000 at December 31, 1999.

On July 29, 1980, General Obligation Public Improvement Bonds were issued by the Town totaling \$90,000 with a remaining balance of \$68,000 at December 31, 1999.

On June 15, 1993 Utility Revenue Bonds were issued by the Town totaling \$19,131, with a remaining balance of \$15,911 at December 31, 1999.

**REPORTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

# Milton E. Kelley

Certified Public Accountant

FRED MOREAU, C.P.A., Manager

1400 Youree Drive (71101)  
Post Office Box 5966  
Shreveport, Louisiana 71135-5966  
(318) 221-2481  
Fax (318) 221-7331

May 31, 2000

Town of Cotton Valley  
Cotton Valley, Louisiana

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

I have audited the general purpose financial statements of the Town of Cotton Valley as of and for the year ended December 31, 1999, and have issued my report thereon dated May 31, 2000. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

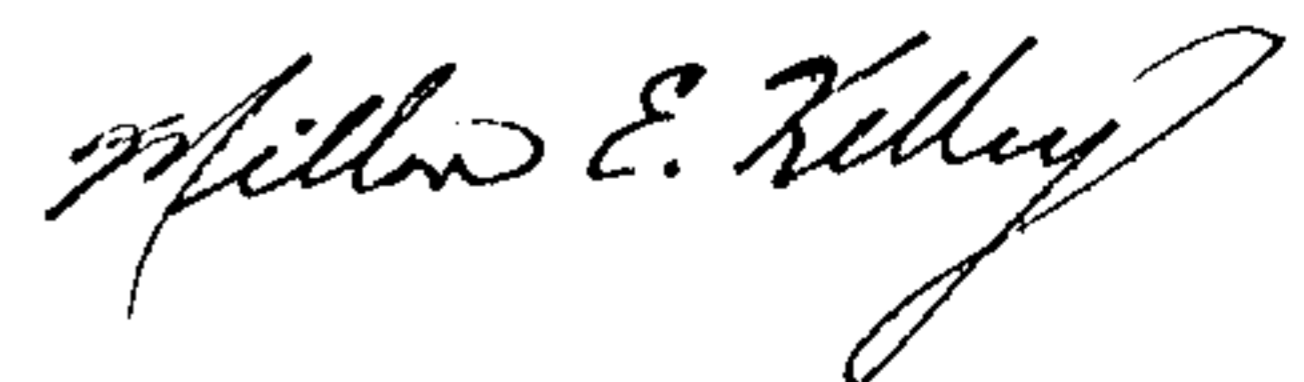
### Compliance

As part of obtaining reasonable assurance about whether the Town of Cotton Valley's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Cotton Valley's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of management, the Board of Directors and federal awarding agencies and pass-through entities. However, this restriction is not intended to limit the distribution of this report.



# Milton E. Kelley

Certified Public Accountant

FRED MOREAU, C.P.A., Manager

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Town of Cotton Valley, Louisiana  
Cotton Valley, Louisiana

### Compliance

I have audited the compliance of the Town of Cotton Valley with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 1999. The Town of Cotton Valley's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Cotton Valley's management. My responsibility is to express an opinion on the Town of Cotton Valley's compliance based on our audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Cotton Valley's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Town of Cotton Valley's compliance with those requirements.

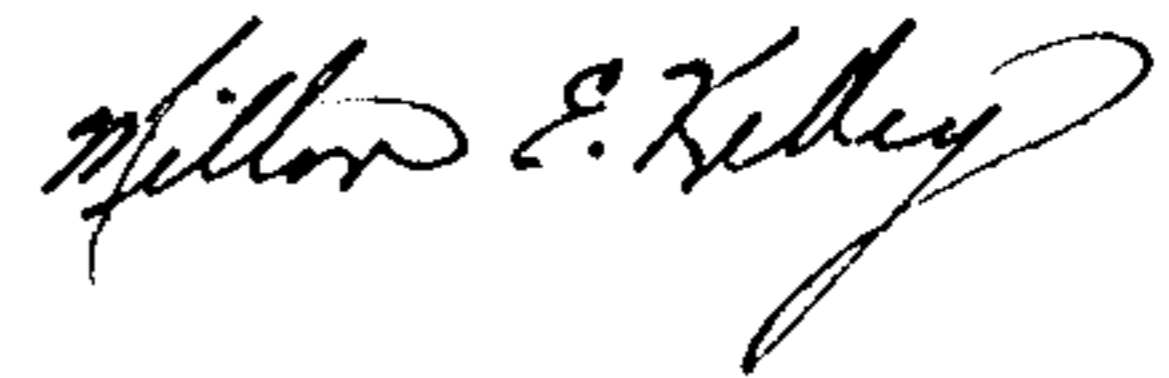
In my opinion, the Town of Cotton Valley complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1998.

### Internal Control Over Compliance

The management of the Town of Cotton Valley is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Town of Cotton Valley's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Board of Directors and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "William E. Kelley". The signature is written in a cursive style with a large, sweeping flourish at the end.



**TOWN OF COTTON VALLEY**

**COTTON VALLEY, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

**A. Summary of Audit Results**

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the Town of Cotton Valley.
2. No reportable conditions are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Town of Cotton Valley were disclosed during the audit.
4. No reportable conditions are reported in the Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program for the Town of Cotton Valley expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award program for the Town of Cotton Valley reported in Part C of this schedule.
7. The program tested as a major program was the Louisiana Community Development Block Grant # 14.228
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Town of Cotton Valley met the 50% coverage rule with no reason to make the low-risk auditee determination.

**B. Findings-Financial Statements Audit: None**

**C. Findings and Questioned Costs-Major Federal Award Programs Audit: None**

**TOWN OF COTTON VALLEY**

**COTTON VALLEY, LOUISIANA**

**SUMMARY SCHEDULE OF AUDIT FINDINGS  
FOR THE LOUISIANA LEGISLATIVE AUDITOR**

**DECEMBER 31, 1999**

**Summary Schedule of Prior Audit Findings**

The findings or management letter comments for the prior year ended December 31, 1998 were as follows:

1. A transfer of \$16,500.00 was made from the Sales Tax Fund to the General Fund. In following the transactions through the accounting system, it appears that the transfer was made for the purpose of making payments on general long-term obligations currently due and payable. The payment of these obligations of the Utility Fund are not authorized by the Sales Tax Ordinance #149 of the Town of Cotton Valley. Therefore, it is a violation of the Town's Ordinance #149 and possibly a violation of State law. These funds need to be returned to the Sales Tax Fund.
2. The General Fund has a deficit fund balance and the Enterprise Fund has a deficit retained earnings. This indicates that the Town of Cotton Valley does not have sufficient revenues to meet the current level of expenditures. This situation must be corrected in order to comply with Town ordinances and State law.

Management acknowledged the management letter comments and responded with the following:

"The \$16,500.00 transferred from the Sales Tax Fund was used to avoid default on Bond payments that were due by the Utility Fund. We have been able to repay \$8,000.00 as of the third quarter of 1998."

"Regarding deficit fund balances, we are currently reviewing our budget and reducing expenditures. While we do not think it will be possible to eliminate the deficits by the end of the year December 31, 1998, we do feel that we can operate for 1998 in accordance with our budget and should have a slight positive result of revenues over expenditures for 1998 and with continued work can eliminate the deficit fund balances.

The December 31, 1997 management letter comments have not been resolved as the General Fund still owes the Sales Tax Fund the transfer amount. (See management letter comments for the year ended December 31, 1998)

The General Fund continues to have a deficit fund balance and the Enterprise Fund has a deficit retained earnings balance at December 31, 1998.

Findings and management letter comments for the year ended December 31, 1998

1. Management intended to repay a part of the amount due from the General Fund back to the Sales Tax Fund in the amount of \$5509.51. A check was issued on 6/1/98 but was erroneously deposited into the Utility Fund Bank Operating Account instead of the Sales Tax Fund Account. Therefore the Utilities Fund now owes the Sales Tax Fund the \$5509.51 as the money was left in the Utility Fund.
2. Management intended to transfer to the Bond Fund \$953.22 in Ad Valorum taxes representing a partial payment of a 3.95 mileage due to the Bond Fund to pay on General Obligation Bonds. However, the check was erroneously deposited into the Utility Fund Bank Operating Account instead of the Bond Fund Bank Account. Therefore, the Utility Fund now owes the Bond Fund the \$953.22 as the money was left in the Utilities Fund. However, the payment on the General Obligation Bonds was made by the Utilities Fund in the amount of \$5,600. principal and interest. The General Fund collects the Ad Valorum Tax and should transfer the mileage due to the Bond Fund as it is collected.

Substantially all objectives were attained and the remaining items are continuing to be improved.