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TOWN OF COTTON VALLEY
COTTON VALLEY, LOUISIANA
GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 7.28.99

TOWN OF COTTON VALLEY
COTTON VALLEY, LOUISIANA
DECEMBER 31, 1998

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
<u>GENERAL PURPOSE FINANCIAL STATEMENTS</u>	
Combined Balance Sheet-All Fund Types and Account Group	3-4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances-All Governmental Fund Types	5-6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances-Budget (GAAP Basis) and Actual	7
Combined Statement of Revenues, Expenditures, and Changes in Retained Earnings-All Proprietary Fund Types	8
Combined Statement of Cash Flows-All Proprietary Fund Types	9
Notes to Financial Statements	10-16
<u>SUPPORTING SCHEDULES</u>	
Statements of Operating Expenses	17
<u>Utility Revenue Bonds Payable:</u>	
5% Public Improvement Bonds of 1980	18-19
5% Public Improvement Bonds of 1974	20-21
5% Public Improvement Bonds Restructuring of 1993	22-25
<u>General Long-Term Debt</u>	
5% General Obligation Bonds of 1980	26-27

(Continued)

TOWN OF COTTON VALLEY
COTTON VALLEY, LOUISIANA

DECEMBER 31, 1998

TABLE OF CONTENTS

(Continued)

	<u>Page</u>
Schedule of Amounts Paid to Members of the Governing Body	28
Schedule of Expenditures of Federal Awards	29
<u>REPORTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</u>	
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	30
Report on Compliance with Requirements applicable To each major program and Internal Control over Compliance in Accordance with OMB Circular A-133	31-32
Summary Schedule of Prior Audit Findings	33
Schedule of Findings and Questioned Costs	33
Summary Schedule of Audit Findings for the Louisiana Legislative Auditor	34-35

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Certified Public Accountant

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June 14, 1999

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, 1998 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.

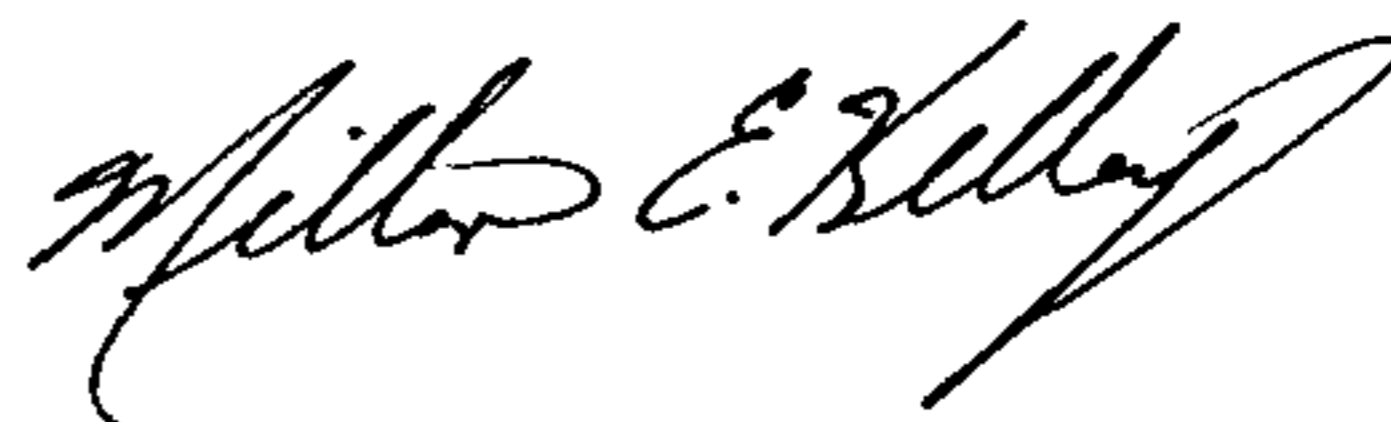
Prior to the current audit period, expenditures for capital outlays, infrastructure and General Fixed Assets have not been recorded in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles and/or state law.

In my opinion, except for the item set forth above, 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, 1998, 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 June 14, 1999 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
June 14, 1999
Page 2

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 17-29 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 cursive script, reading "William E. Kelley". The signature is written in black ink and is positioned to the right of the main body of text.

GENERAL PURPOSE FINANCIAL STATEMENTS

TOWN OF COTTON VALLEY

COMBINED BALANCE SHEETS-ALL FUND TYPES AND ACCOUNT GROUPS

DECEMBER 31, 1998

<u>ASSETS</u>	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
Cash	17,874	6,506	
Receivables:			
Accounts receivable (net) (Note 2)	17,261		
Due from other funds (Note 7)	7,890	16,460	15,493
Restricted assets: (Note 3)			
Cash			
Office equipment			
Plant and equipment-utility property			
Accumulated depreciation			
Amount to be provided from:			
Ad valorem taxes	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>43,025</u>	<u>22,966</u>	<u>15,493</u>

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

Proprietary Fund Types	Account Groups		Total (Memorandum Only) 1998
	General Fixed Asset	General Long- Term Obligations	
Enterprise			
7,757			32,137
23,126			40,387
7,309			47,152
32,760			32,760
2,700	9,710		12,410
1,574,377			1,574,377
(344,460)			(344,460)
-	-	70,000	70,000
<u>1,303,569</u>	<u>9,710</u>	<u>70,000</u>	<u>1,464,763</u>

TOWN OF COTTON VALLEY

COMBINED BALANCE SHEETS-ALL FUND TYPES AND ACCOUNT GROUPS

DECEMBER 31, 1998

LIABILITIES AND FUND EQUITY	Governmental Fund Types		
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
<u>Liabilities:</u>			
Accounts payable			
Due to other funds (Note 7)	26,443	-	7,309
Meter deposits			
Accrued interest payable			
Payroll taxes, penalty and interest	31,484		
Bonds payable (Note 4)	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	57,927	0	7,309
 <u>Fund equity:</u>			
Contributed capital			
Investment in General Fixed Assets			
Retained earnings:			
Reserved			
Unreserved		22,966	
Fund Balances:			
Reserved for debt service			8,184
Unreserved (deficit)	<u>(14,902)</u>	<u>-</u>	<u>-</u>
Total retained earnings and fund balances	<u>(14,902)</u>	<u>22,966</u>	<u>8,184</u>
Total fund equity	<u>(14,902)</u>	<u>22,966</u>	<u>8,184</u>
Total liabilities and fund equity	<u><u>43,025</u></u>	<u><u>22,966</u></u>	<u><u>15,493</u></u>

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

Proprietary Fund Types Enterprise	Account Groups		Total (Memorandum Only) 1998
	General Fixed Asset	General Long- Term Obligations	
2,544			2,544
13,400			47,152
19,369			19,369
5,011			5,011
			31,484
<u>428,515</u>	<u>-</u>	<u>70,000</u>	<u>498,515</u>
468,839		70,000	604,075
841,758	-		841,758
	9,710		9,710
12,927			12,927
(19,955)			3,011
			8,184
<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,902)</u>
<u>(7,028)</u>	<u>9,710</u>	<u>-</u>	<u>18,930</u>
<u>834,730</u>	<u>9,710</u>	<u>-</u>	<u>860,688</u>
<u>1,303,569</u>	<u>9,710</u>	<u>70,000</u>	<u>1,464,763</u>

TOWN OF COTTON VALLEY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES-ALL GOVERNMENTAL FUND TYPES

DECEMBER 31, 1998

	<u>Governmental Fund Types</u>			<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>(Memorandum Only) 1998</u>
<u>Revenues:</u>				
Taxes	39,752	46,526	6,563	92,836
License and permits	25,876			25,876
Fines and forfeitures	663			663
Video poker	7,680			7,680
Rental income	1,640			1,640
Miscellaneous revenue	3,528	39		3,567
Total Revenues	79,139	46,560	6,563	132,262
<u>Expenditures:</u>				
<u>Current:</u>				
General government	67,612			67,612
Public Safety	37,991			37,991
Streets	19,292			19,292
<u>Debt service:</u>				
Principal retirement			2,000	2,000
Interest and fiscal chargess			3,600	3,600
Total expenditures	124,895		5,600	130,495
<u>Excess (deficiency) of</u>				
<u>revenues over expenditures</u>	(45,756)	46,560	963	1,767
<u>Other financing sources (uses):</u>				
Operating transfers in	46,981			46,981
Operating transfers out		(46,981)		(46,981)
Total other financing sources (uses)	46,981	(46,981)		

CONTINUED

TOWN OF COTTON VALLEY

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

DECEMBER 31, 1998

	<u>Governmental Fund Types</u>			Total
	General	<u>Special Revenue</u>	<u>Debt Service</u>	<u>(Memorandum Only) 1998</u>
<u>Excess (deficiency) of revenues and other sources over expenditures and other uses</u>	1,225	(421)	963	1,767
<u>Fund balances-beginning</u>	<u>(16,127)</u>	<u>23,387</u>	<u>7,221</u>	<u>14,481</u>
<u>Fund balances-ending (deficit)</u>	<u>(14,902)</u>	<u>22,966</u>	<u>8,184</u>	<u>16,248</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, 1998

		General Fund	
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Taxes:			
Ad valorem	9,400	11,829	2,429
Franchise	17,800	20,114	2,314
Sales			
Licenses and permits	23,300	25,876	2,576
Intergovernmental			
Tobacco taxes	6,700	7,809	1,109
Fines and miscellaneous	8,000	13,511	5,511
Interest income			
Total revenue	<u>65,200</u>	<u>79,139</u>	<u>13,939</u>
Expenditures:			
Current:			
General government	72,120	67,612	4,508
Public Safety:			
Police	30,900	37,991	(7,091)
Streets	44,800	19,292	25,508
Debt service			
Principal retirement			
Interest			
Total expenditures	<u>147,820</u>	<u>124,895</u>	<u>22,925</u>
Excess revenues over (under) expenditures	(82,620)	(45,756)	36,864
Other financing sources (uses):			
Operating transfers in	45,000	46,981	1,981
Operating transfers out	-	-	-
Other financing sources (uses)	<u>45,000</u>	<u>46,981</u>	<u>1,981</u>
<u>Excess of revenues and other sources over (under) expenditures and other uses</u>	<u>(37,620)</u>	<u>1,225</u>	<u>38,845</u>
<u>Fund balance-beginning</u>	<u>9,074</u>	<u>(16,127)</u>	<u>(25,201)</u>
<u>Fund balance-ending</u>	<u>(28,546)</u>	<u>(14,902)</u>	<u>13,644</u>

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

Special Revenue Fund Types			Debt Service Fund Type		
Budget	Actual	Variance Favorable Unfavorable	Budget	Actual	Variance Favorable Unfavorable
			9,200	6,563	(2,637)
49,000	46,521	(2,479)			
<u>100</u>	<u>39</u>	<u>(61)</u>	<u>-</u>	<u>-</u>	<u>-</u>
49,100	46,560	(2,540)	9,200	6,563	(2,637)
			2,500	2,000	500
			4,600	3,600	1,000
			7,100	5,600	1,500
49,100	46,560	(2,540)	2,100	963	(1,137)
<u>45,000</u>	<u>46,981</u>	<u>(1,981)</u>			
45,000	46,981	(1,981)			
4,100	(421)	(4,521)			
<u>23,387</u>	<u>23,387</u>	<u>-</u>	<u>7,221</u>	<u>7,221</u>	<u>-</u>
<u>27,487</u>	<u>22,966</u>	<u>(4,521)</u>	<u>9,321</u>	<u>8,184</u>	<u>(1,137)</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, 1998

	<u>Enterprise Funds</u>
<u>Operating revenues:</u>	
Charges for service	<u>162,491</u>
Total operating revenues	162,491
<u>Operating expenses:</u>	
General and administrative expenses	12,494
Water and sewer department expenses	<u>157,262</u>
Total operating expenses	<u>169,756</u>
<u>Income loss from operations</u>	(7,265)
<u>Non-operating revenues:</u>	
LCDBG Grant Funds Received	243,993
Interest income	837
Miscellaneous income	<u>1,686</u>
Total non-operating revenues	<u>246,516</u>
<u>Net income (loss)</u>	239,251
<u>Decrease in reserved retained earnings</u>	7,040
<u>Retained earnings-beginning</u>	(22,253)
<u>Retained earnings-reserved</u>	<u>12,927</u>
Less: Grant in aid contributed capital	<u>243,993</u>
<u>Retained earnings-ending (deficit)</u>	<u>(7,028)</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, 1998

<u>Cash flows from operating activities:</u>	
Net income (loss)	239,251
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	36,323
(Increase) decrease in:	
Accounts receivable	(264)
Due from other funds	(4,647)
Increase (decrease) in:	
Accounts payable	(6,595)
Due to other funds	(8,446)
Meter deposits	2,535
Accrued expenses	(169)
Net cash provided by operating activities	257,988
<u>Cash flows from capital and related financing activities:</u>	
Principal paid on Revenue Bonds	(23,575)
Fixed asset additions	(243,992)
Net cash provided (used) from capital and related financing activities	(267,567)
<u>Net increase (decrease) in cash and cash equivalents</u>	(9,579)
<u>Cash and cash equivalents-December 31, 1997</u>	50,096
<u>Cash and cash equivalents-December 31, 1998</u>	40,517

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

TOWN OF COTTON VALLEY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1998

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.

As noted earlier, the Town does not maintain a General Fixed Assets Account Group.

- 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, 1998.

- (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	38,192
Current liabilities	<u>7,555</u>
Net working capital	<u><u>30,637</u></u>

2. Ad valorem taxes

For the year ended December 31, 1998 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 \$17,261 at December 31, 1998.

3. Restricted assets - Proprietary Fund Types

Restricted assets were applicable to the following at December 31, 1998:

	<u>Water and Sewer Fund</u>
LCDBG	90.
Bond sinking account	5,318.
Bond reserve account	2,886.
Depreciation and contingency	<u>4,633.</u>
Total restricted assets	<u>12,927.</u>

4. General long-term debt

The following is a summary of changes in general long-term debt for the year ended December 31, 1998.

	<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>(20,000)</u>	<u>(195,616)</u>	<u>(215,616)</u>
Bonds payable, December 31, 1998	<u>70,000</u>	<u>428,515</u>	<u>498,515</u>

General obligation bonds at December 31, 1998 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.

70,000

Revenue bonds at December 31, 1998 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%.	118,000
\$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%.	164,000
\$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.	130,000
\$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%.	8,001
\$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>8,514</u>
Total revenue bonds	<u>498,515</u>

The annual requirements to amortize general long-term debt outstanding as of December 31, 1998, including interest payments, are presented below:

<u>Year Ending December 31</u>	<u>General Obligation</u>	<u>Revenue</u>	<u>Total</u>
1999	5,500	38,530	44,030
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>117,100</u>	<u>595,902</u>	<u>713,002</u>

\$8,184 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, 1998:

Demand deposits	43,002
Interest-bearing demand deposits	32,853
Time deposits	<u>1,704</u>
Total	<u>77,559</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, 1998, the Town had \$77,559 in deposits (collected bank balances). These deposits are secured from risk by \$77,559 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	7,309	13,400
Debt Service Fund	15,493	7,309
General Fund	7,890	26,443
Sales Tax Fund	<u>16,460</u>	<u>0</u>
Totals	<u>47,152</u>	<u>47,152</u>

SUPPORTING SCHEDULES

UTILITY FUND

TOWN OF COTTON VALLEY

UTILITY FUND

STATEMENTS OF OPERATING EXPENSES FOR THE YEAR ENDED

DECEMBER 31, 1998

	<u>Water and Sewer Department</u>	<u>General and Administrative</u>
Auto and truck expense	9,783	
Interest expense	15,335	
Miscellaneous	4,780	1,191
Payroll taxes	2,973	803
Operations-System II	566	
Salaries	38,855	10,500
Sales tax	4,040	
Utilities	12,409	
Water and sewer analysis and engineering fees	2,450	
Water line and tank, repairs and meters	25,660	
Depreciation	36,323	
Insurance	<u>4,088</u>	<u> </u>
Totals	<u>157,262</u>	<u>12,494</u>

TOWN OF COTTON VALLEY

UTILITY REVENUE BONDS PAYABLE

5.00% PUBLIC IMPROVEMENT

BONDS OF 1980 OUTSTANDING AT DECEMBER 31, 1998

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, 1998-Bonds</u>	<u>61,000</u>
Balance outstanding at December 31, 1998	<u>164,000</u>

<u>Maturity</u>	<u>Amount of Bonds Due</u>	<u>Amount of Interest Due</u>	<u>Total Amount Due</u>
7/29/99	6,000	8,200	14,200
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, 1998

<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>164,000</u>	<u>104,650</u>	<u>268,650</u>

TOWN OF COTTON VALLEY

UTILITY REVENUE BONDS PAYABLE

5.00% PUBLIC IMPROVEMENT

BONDS OF 1974 OUTSTANDING AT DECEMBER 31, 1998

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, 1998</u>	<u>62,000</u>
Balance outstanding at December 31, 1998	<u>118,000</u>

<u>Maturity</u>	<u>Amount of Bonds Due</u>	<u>Amount of Interest Due</u>	<u>Total Amount Due</u>
1/01/2000	5,000	5,900	10,900
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, 1998

<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>118,000</u>	<u>53,600</u>	<u>171,600</u>

TOWN OF COTTON VALLEY

UTILITY REVENUE BONDS PAYABLE

5% PUBLIC IMPROVEMENT RESTRUCTURING

BONDS OF 1993

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

Original issue	8,905.35
<u>Less: Retired through December 31, 1998</u>	<u>904.72</u>
Balance outstanding at December 31, 1998	<u>8,000.63</u>

<u>Maturity</u>	<u>Amount of Bonds Due</u>	<u>Amount of Interest Due</u>	<u>Total Amount Due</u>
6/15/99	208.97	400.03	609.00
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

<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>8,000.63</u>	<u>5,351.61</u>	<u>13,352.24</u>

TOWN OF COTTON VALLEY

UTILITY REVENUE BONDS PAYABLE

5% PUBLIC IMPROVEMENT RESTRUCTURING BONDS

OF 1993

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

Original issue	10,225.76
<u>Less: Retired through December 31, 1998</u>	<u>1,711.36</u>
Balance outstanding at December 31, 1998	<u>8,514.40</u>

<u>Maturity</u>	<u>Amount of Bonds Due</u>	<u>Amount of Interest Due</u>	<u>Total Amount Due</u>
06/15/99	395.28	425.72	821.00
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

<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>8,514.40</u>	<u>3785.41</u>	<u>12,299.81</u>

GENERAL LONG-TERM DEBT

TOWN OF COTTON VALLEY

GENERAL LONG-TERM DEBT

5% PUBLIC IMPROVEMENT G. O. BONDS

BONDS OF 1980 OUTSTANDING AT DECEMBER 31, 1998

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, 1998-Bonds</u>	<u>20,000</u>
Balance outstanding at December 31, 1998	<u>70,000</u>

<u>Maturity</u>	<u>Amount of Bonds Due</u>	<u>Amount of Interest Due</u>	<u>Total Amount Due</u>
7/29/99	2,000	3,500	5,500
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, 1998

<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>70,000</u>	<u>47,100</u>	<u>117,100</u>

TOWN OF COTTON VALLEY

COTTON VALLEY, LOUISIANA

SCHEDULE OF AMOUNTS PAID TO MEMBERS OF THE GOVERNING BODY

FOR THE YEAR ENDED DECEMBER 31, 1997

Mayor-Jack Maynor, Jr.-Salary and allowance	5,200
Aldermen:	
J. T. Lash	1,200
M. B. Edwards	1,200
Rev. Martin Jackson	1,095
Keith Chandler	1,200
Curtis Walker	<u>1,200</u>
 Total	 <u>11,095</u>

REPORTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

ending 42,000 from a remaining amount of 47,000 at December 31, 1990.

On June 15, 1993 Utility Revenue Bonds were issued by the Town totaling \$19,131, with a

TOWN OF COTTON VALLEY

COTTON VALLEY, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 30, 1998

<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	\$ 368,515
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	243,993

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, 1998. 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 \$164,000 at December 31, 1998.

On August 1, 1974 Utility Revenue Bonds were issued by the Town totaling \$180,000, with a remaining balance of \$118,000 at December 31, 1998.

On July 29, 1980, General Obligation Public Improvement Bonds were issued by the Town totaling \$90,000 with a remaining balance of \$70,000 at December 31, 1998.

On June 15, 1993 Utility Revenue Bonds were issued by the Town totaling \$19,131, with a remaining balance of \$16,515 at December 31, 1998.

Milton E. Kelley

Certified Public Accountant

FRED MOREAU, C.P.A., Manager

1400 Younce Drive (71001)
Post Office Box 5966
Shreveport, Louisiana 71135-5966
(318) 221-2481
Fax (318) 221-7331

June 14, 1999

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, 1998, and have issued my report thereon dated June 14, 1999. 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.

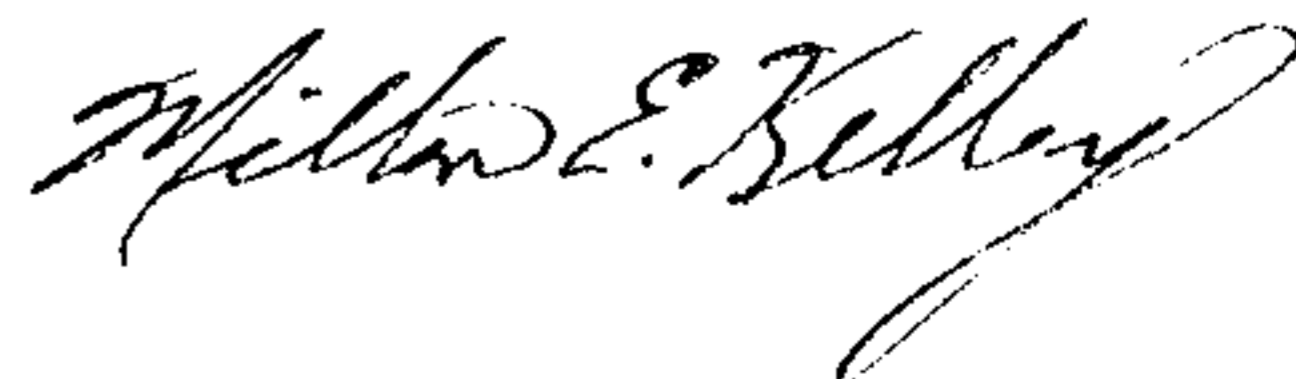
Compliance

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

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June 14, 1999

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, 1998, and have issued my report thereon dated June 14, 1999. 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.

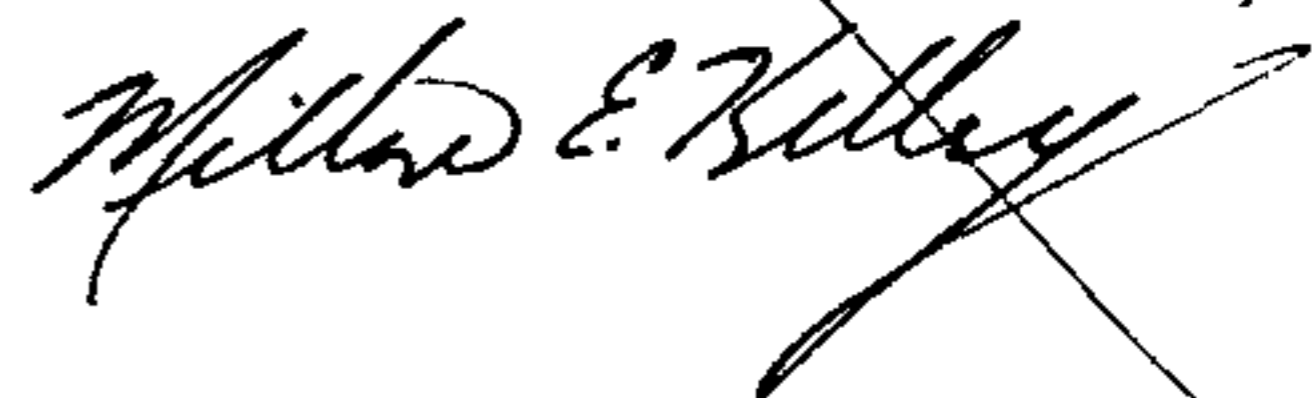
Compliance

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. The results of my tests disclosed the following instance of non-compliance.

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

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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, 1998. 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.

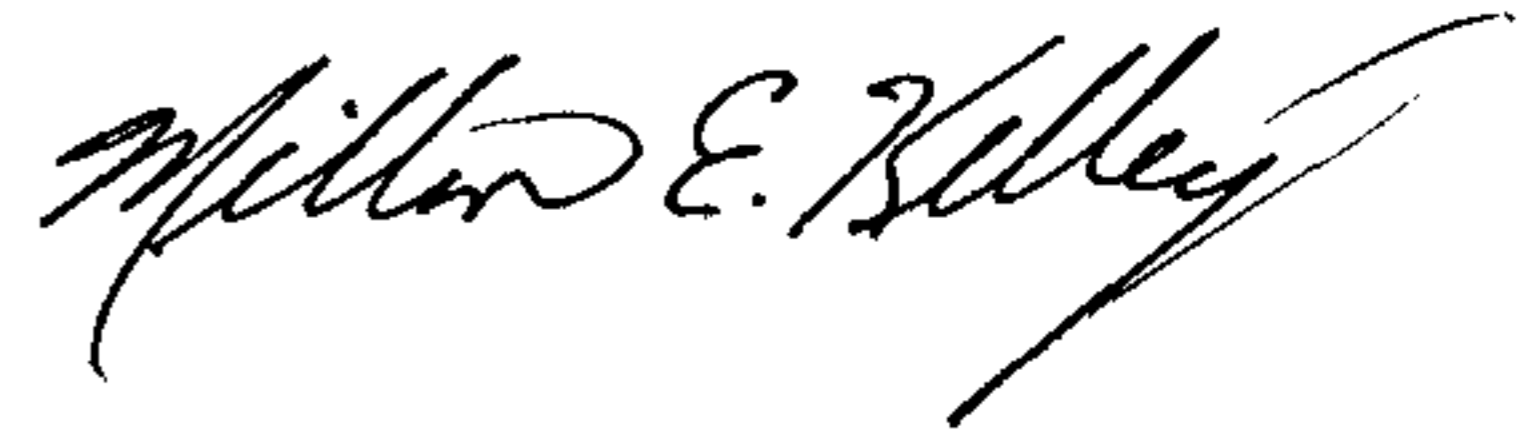
In my opinion, the Town of Cotton Valley complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1998.

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 "Milton E. Kelley". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

TOWN OF COTTON VALLEY

COTTON VALLEY, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There were no findings or questioned costs for the audit period ended December 31, 1997.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1998

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, 1998

Summary Schedule of Prior Audit Findings

The findings or management letter comments for the prior year ended June 30, 1997 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 milage 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 milage due to the Bond Fund as it is collected.