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TOWN OF COTTON VALLEY

COTTON VALLEY, LOUISIANA

GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 1997

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 JUL 07 1998

TOWN OF COTTON VALLEY

DECEMBER 31, 1997

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TOWN OF COTTON VALLEY

DECEMBER 31, 1997

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Milton E. Kelley

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June 16, 1998

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, 1997 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.

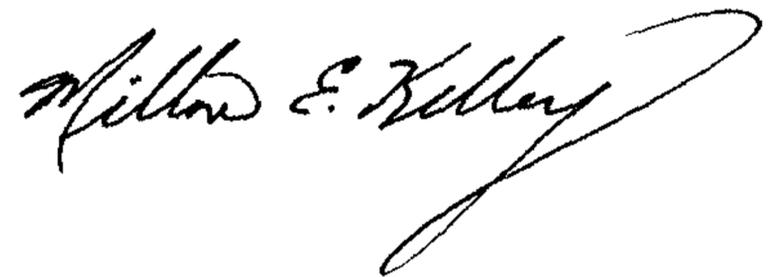
Prior to the current audit period, expenditures for capital outlays, infrastructure and General Fixed Assets have not been recorded in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles and/or state law.

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, 1997, 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 16, 1998 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 16, 1998
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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 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 black ink, reading "Milton E. Kelley". The signature is written in a cursive style with a large, sweeping flourish at the end.

GENERAL PURPOSE FINANCIAL STATEMENTS

TOWN OF COTTON VALLEY

COMBINED BALANCE SHEETS-ALL FUND TYPES AND ACCOUNT GROUPS

DECEMBER 31, 1997

<u>A S S E T S</u>	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
Cash	10,303	6,927	
Receivables:			
Accounts receivable (net) (Note 2)	7,629		
Due from other funds (Note 7)	21,886	16,500	9,883
Restricted assets: (Note 3)			
Cash			
Office equipment			
Plant and equipment-utility property			
Accumulated depreciation			
Amount to be provided from:			
Ad valorem taxes	-	-	-
Total assets	<u>39,818</u>	<u>23,427</u>	<u>9,883</u>

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

<u>Proprietary Fund Types</u> <u>Enterprise</u>	<u>Account Groups</u>		<u>Total</u>
	<u>General Fixed Asset</u>	<u>General Long- Term Obligations</u>	<u>(Memorandum Only)</u> <u>1997</u>
24,280			41,510
22,863			30,492
2,662			50,931
25,816			25,816
2,700	7,820		10,520
1,330,385			1,330,385
(308,136)			(308,136)
<u>-</u>	<u>-</u>	<u>72,000</u>	<u>72,000</u>
<u>1,100,570</u>	<u>7,820</u>	<u>72,000</u>	<u>1,253,518</u>

TOWN OF COTTON VALLEY

COMBINED BALANCE SHEETS-ALL FUND TYPES AND ACCOUNT GROUPS

DECEMBER 31, 1997

<u>LIABILITIES AND FUND EQUITY</u>	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
<u>Liabilities</u>			
Accounts payable			
Due to other funds (Note 7)	26,383	40	2,662
Meter deposits			
Accrued interest payable			
Payroll taxes, penalty and interest	29,562		
Bonds payable (Note 4)	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	55,945	40	2,662
<u>Fund equity:</u>			
Contributed capital			
Investment in General Fixed Assets			
Retained earnings:			
Reserved			
Unreserved		23,387	
Fund balances:			
Reserved for debt service			7,221
Unreserved (deficit)	(16,127)	<u>-</u>	<u>-</u>
Total retained earnings and fund balances	(16,127)	<u>23,387</u>	<u>7,221</u>
Total fund equity	(16,127)	<u>23,387</u>	<u>7,221</u>
Total liabilities and fund equity	<u>39,818</u>	<u>23,427</u>	<u>9,883</u>

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

<u>Proprietary Fund Types</u> <u>Enterprise</u>	<u>Account Group</u>		<u>Total</u>
	<u>General Fixed Asset</u>	<u>General Long- Term Obligations</u>	<u>(Memorandum Only)</u> <u>1997</u>
9,139			9,139
21,846			50,931
16,834			16,834
5,180			5,180
			29,562
<u>452,091</u>	<u>-</u>	<u>72,000</u>	<u>524,091</u>
505,090		72,000	635,737
597,765			597,765
	7,820		7,820
8,410			8,410
(10,695)			12,692
			7,221
<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,127)</u>
(2,285)	<u>7,820</u>	<u>-</u>	<u>20,016</u>
<u>595,480</u>	<u>7,820</u>	<u>-</u>	<u>617,781</u>
<u>1,100,570</u>	<u>7,820</u>	<u>72,000</u>	<u>1,253,518</u>

TOWN OF COTTON VALLEY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES-ALL GOVERNMENTAL FUND TYPES

DECEMBER 31, 1997

	Governmental Fund Types			Total
	General	Special Revenue	Debt Service	(Memorandum Only) 1997
<u>Revenues:</u>				
Taxes	39,930	49,578	6,289	95,797
License and permits	22,835			22,835
Fines and forfeitures	2,668			2,668
Video poker	4,991			4,991
Rental income	1,706			1,706
Intergovernmental	953			953
Miscellaneous revenue	<u>4,735</u>	<u>76</u>		<u>4,811</u>
Total revenues	77,818	49,654	6,289	133,761
 <u>Expenditures:</u>				
<u>Current:</u>				
General government	93,422	495		93,917
Public safety	29,547			29,547
Streets	26,079			26,079
<u>Debt service:</u>				
Principal retirement			2,000	2,000
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>3,700</u>	<u>3,700</u>
Total expenditures	149,048	495	5,700	155,243
 <u>Excess (deficiency) of</u>				
<u>revenues over expenditures</u>	(71,230)	49,159	589	(21,482)
 <u>Other financing sources (uses):</u>				
Operating transfers in	41,713			41,713
Operating transfers out	<u>(554)</u>	<u>(41,713)</u>	<u>-</u>	<u>(42,267)</u>
Total other financing sources (uses)	<u>41,159</u>	<u>(41,713)</u>	<u>-</u>	<u>(554)</u>

CONTINUED

TOWN OF COTTON VALLEY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES-ALL GOVERNMENTAL FUND TYPES

DECEMBER 31, 1997

	<u>Governmental Fund Types</u>			<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>(Memorandum Only) 1997</u>
<u>Excess (deficiency) of revenues and other sources over expenditures and other uses</u>	(30,071)	7,446	589	(22,036)
<u>Fund balances-beginning</u>	<u>13,944</u>	<u>15,941</u>	<u>6,632</u>	<u>36,517</u>
<u>Fund balances-ending (deficit)</u>	<u>(16,127)</u>	<u>23,387</u>	<u>7,221</u>	<u>14,481</u>

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

TOWN OF COTTON VALLEY
COTTON VALLEY, LOUISIANA

COMBINED STATEMENT OF REVENUES, 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, 1997

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Taxes:			
Ad valorem	9,400	11,333	1,933
Franchise	28,100	22,816	(5,284)
Sales			
Licenses and permits	13,900	24,206	10,306
Intergovernmental			
Tobacco taxes	5,700	4,409	(1,291)
State and federal grants	10,000	953	(9,047)
Fines and miscellaneous	8,000	14,101	6,101
Interest income	-	-	-
Total revenue	<u>75,100</u>	<u>77,818</u>	<u>2,718</u>
<u>Expenditures</u>			
Current			
General government	58,620	93,422	(34,802)
Public safety:			
Police	26,200	29,547	(3,347)
Streets	43,850	26,079	17,771
Debt service:			
Principal retirement			
Interest	-	-	-
Total expenditures	<u>128,670</u>	<u>149,048</u>	<u>(20,378)</u>
<u>Excess revenues over (under) expenditures</u>	<u>(53,570)</u>	<u>(71,230)</u>	<u>(17,660)</u>
<u>Other financing sources (uses):</u>			
Operating transfers in	48,700	41,713	(6,987)
Operating transfers out	-	(554)	(554)
Other financing sources (uses)	<u>48,700</u>	<u>41,159</u>	<u>(7,541)</u>
<u>Excess of revenues and other sources over (under) expenditures and other uses</u>	<u>(4,870)</u>	<u>(30,071)</u>	<u>(25,201)</u>
<u>Fund balance-beginning</u>	<u>13,944</u>	<u>13,944</u>	<u>-</u>
<u>Fund balance-ending</u>	<u>9,074</u>	<u>(16,127)</u>	<u>(25,201)</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>
			9,200	6,289	(2,911)
48,800	49,578	778			
<u>100</u>	<u>76</u>	<u>(24)</u>	<u>-</u>	<u>-</u>	<u>-</u>
48,900	49,654	754	9,200	6,289	(2,911)
	495	(495)			
<u>-</u>	<u>-</u>	<u>-</u>	2,500	2,000	500
<u>-</u>	<u>495</u>	<u>(495)</u>	4,600	3,700	900
48,900	49,159	259	7,100	5,700	1,400
			2,100	589	(1,511)
<u>(48,700)</u>	<u>(41,713)</u>	<u>6,987</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(48,700)</u>	<u>(41,713)</u>	<u>6,987</u>	<u>-</u>	<u>-</u>	<u>-</u>
200	7,446	7,246			
<u>15,941</u>	<u>15,941</u>	<u>-</u>	<u>6,632</u>	<u>6,632</u>	<u>-</u>
<u>16,141</u>	<u>23,387</u>	<u>7,246</u>	<u>8,732</u>	<u>7,221</u>	<u>(1,511)</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, 1997

	<u>Enterprise Funds</u>
<u>Operating revenues:</u>	
Charges for service	<u>161,304</u>
Total operating revenues	161,304
<u>Operating expenses:</u>	
General and administrative expenses	14,391
Water and sewer department expenses	<u>180,666</u>
Total operating expenses	<u>195,057</u>
<u>Income (loss) from operations</u>	(33,753)
<u>Non-operating revenues:</u>	
Interest income	746
Transfer from General Fund	<u>554</u>
Total non-operating revenues	<u>1,300</u>
<u>Net income (loss)</u>	(32,453)
<u>Decrease in reserved retained earnings</u>	11,558
<u>Retained earnings-beginning</u>	10,200
<u>Less: Retained earnings-reserved</u>	<u>8,410</u>
<u>Retained earnings-ending (deficit)</u>	<u>(2,285)</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, 1997

<u>Cash flows from operating activities:</u>	
Net income (loss)	(32,453)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	36,324
(Increase) decrease in:	
Accounts receivable	(6,911)
Due from other funds	(2,662)
Increase (decrease) in:	
Accounts payable	(32,312)
Due to other funds	11,083
Meter deposits	3,404
Accrued expenses	(149)
Net cash provided by operating activities	(23,676)
<u>Cash flows from capital and related financing activities:</u>	
Principal paid on Revenue Bonds	(21,548)
Fixed asset additions	(500)
Net cash provided (used) from capital and related financing activities	(22,048)
<u>Net increase (decrease) in cash and cash equivalents</u>	(45,724)
<u>Cash and cash equivalents-December 31, 1996</u>	<u>95,820</u>
<u>Cash and cash equivalents-December 31, 1997</u>	<u>50,096</u>

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

TOWN OF COTTON VALLEY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997

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, 1997.
- (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	49,805
Current liabilities	<u>14,319</u>
Net working capital	<u>35,486</u>

2. Ad valorem taxes

For the year ended December 31, 1997 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 \$7,629 at December 31, 1997.

3. Restricted assets - Proprietary Fund Types

Restricted assets were applicable to the following at December 31, 1997

	<u>Water and Sewer Fund</u>
Bond sinking account	1,764
Bond reserve account	1,896
Depreciation and contingency	<u>4,750</u>
Total restricted assets	<u>8,410</u>

4. General long-term debt

The following is a summary of changes in general long-term debt for the year ended December 31, 1997.

	<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>(18,000)</u>	<u>(172,040)</u>	<u>(190,040)</u>
Bonds payable, December 31, 1997	<u>72,000</u>	<u>452,091</u>	<u>524,091</u>

General obligation bonds at December 31, 1997 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.

72,000

Revenue bonds at December 31, 1997 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%.	123,000
\$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%.	170,000
\$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.	142,000
\$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%.	8,200
\$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>8,891</u>
Total revenue bonds	<u>524,091</u>

The annual requirements to amortize general long-term debt outstanding as of December 31, 1997, including interest payments, are presented below:

<u>Year Ending December 31</u>	<u>General Obligation</u>	<u>Revenue</u>	<u>Total</u>
1998	5,600	38,254	43,854
1999	5,500	37,734	43,234
2000	5,400	38,230	43,630
2001	5,300	37,680	42,980
2002	5,200	38,130	43,330
Thereafter	<u>95,700</u>	<u>444,954</u>	<u>540,654</u>
Totals	<u>122,700</u>	<u>634,982</u>	<u>757,682</u>

\$7,221 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, 1997:

Demand deposits	53,164
Interest-bearing demand deposits	12,497
Time deposits	<u>1,665</u>
 Total	 <u>67,326</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, 1997, the Town had \$69,238 in deposits (collected bank balances). These deposits are secured from risk by \$69,238 of federal deposit insurance. The accounts are held at Peoples Bank and Trust.

7. Individual fund interfund receivable and payable balances

Such balances at December 31, 1997 were

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Enterprise Fund	2,662	21,846
Debt Service Fund	9,883	2,662
General Fund	21,886	26,383
Sales Tax Fund	<u>16,500</u>	<u>40</u>
 Totals	 <u>50,931</u>	 <u>50,931</u>

SUPPLEMENTAL INFORMATION SCHEDULES

UTILITY FUND

TOWN OF COTTON VALLEY

UTILITY FUND

STATEMENTS OF OPERATING EXPENSES FOR THE YEAR ENDED

DECEMBER 31, 1997

	<u>Water and Sewer Department</u>	<u>General and Administrative</u>
Auto and truck expense	9,701	
Interest expense	15,833	
Miscellaneous	8,397	2,093
Payroll taxes	2,968	874
Operations-System II	35,667	
Salaries	38,803	11,424
Sales tax	3,365	
Utilities	3,303	
Water and sewer analysis and engineering fees	1,427	
Water line and tank, repairs and meters	23,874	
Depreciation	36,324	
Insurance	<u>1,004</u>	<u>-</u>
Totals	<u>180,666</u>	<u>14,391</u>

TOWN OF COTTON VALLEY

UTILITY REVENUE BONDS PAYABLE

5.00% PUBLIC IMPROVEMENT

BONDS OF 1980 OUTSTANDING AT DECEMBER 31, 1997

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, 1997-Bonds</u>	<u>55,000</u>
Balance outstanding at December 31, 1997	<u>170,000</u>

<u>Maturity</u>	<u>Amount of Bonds Due</u>	<u>Amount of Interest Due</u>	<u>Total Amount Due</u>
7/29/98	6,000	8,500	14,500
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, 1997

<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>170,000</u>	<u>113,150</u>	<u>283,150</u>

TOWN OF COTTON VALLEY

UTILITY REVENUE BONDS PAYABLE

5.00% PUBLIC IMPROVEMENT

BONDS OF 1974 OUTSTANDING AT DECEMBER 31, 1997

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, 1997</u>	<u>57,000</u>
Balance outstanding at December 31, 1997	<u>123,000</u>

<u>Maturity</u>	<u>Amount of Bonds Due</u>	<u>Amount of Interest Due</u>	<u>Total Amount Due</u>
1/01/99	5,000	6,150	11,150
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, 1997

<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>123,000</u>	<u>59,750</u>	<u>182,750</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, 1997</u>	<u>705.70</u>
Balance outstanding at December 31, 1997	<u>8,199.65</u>

<u>Maturity</u>	<u>Amount of Bonds Due</u>	<u>Amount of Interest Due</u>	<u>Total Amount Due</u>
6/15/98	199.02	409.98	609.00
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>8,199.65</u>	<u>5,761.59</u>	<u>13,961.24</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</u> Retired through December 31, 1997	<u>1,334.90</u>
Balance outstanding at December 31, 1997	<u>8,890.86</u>

<u>Maturity</u>	<u>Amount of Bonds Due</u>	<u>Amount of Interest Due</u>	<u>Total Amount Due</u>
06/15/98	376.46	444.54	821.00
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>8,890.86</u>	<u>4,229.95</u>	<u>13,120.81</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, 1997

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, 1997-Bonds</u>	<u>18,000</u>
Balance outstanding at December 31, 1997	<u>72,000</u>

<u>Maturity</u>	<u>Amount of Bonds Due</u>	<u>Amount of Interest Due</u>	<u>Total Amount Due</u>
7/29/98	2,000	3,600	5,600
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, 1997

<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>72,000</u>	<u>50,700</u>	<u>122,700</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	5,273
Aldermen:	
J. T. Lash	1,200
M. B. Edwards	1,200
Rev. Martin Jackson	1,130
Keith Chandler	1,200
Curtis Walker	<u>1,200</u>
Total	<u>11,203</u>

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

June 16, 1998

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, 1997, and have issued my report thereon dated June 16, 1998. 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.

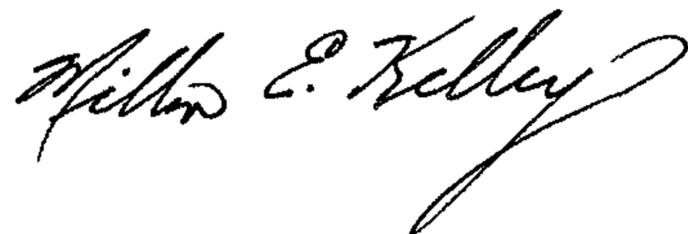
Compliance

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.



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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

June 19, 1998

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

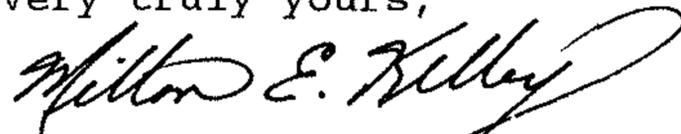
Gentlemen:

During the course of my recent audit, I found the following conditions which need to be brought to your attention:

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.

If you have any questions or wish to discuss this letter in more detail, please let me know.

Very truly yours,



Milton E. Kelley CPA

MEK:nn