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Town of Cottonport
Annual Financial Statements
As of and for the Year Ended

June 30, 2004

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

Release Date 1-26-05

DUCOTE & COMPANY
Certified Public Accountants
219 North Washington Street
P. O. Box 309
Marksville, LA 71351

TOWN OF COTTONPORT, LOUISIANA
Annual Financial Statements
As of and for the year ended June 30, 2004

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TOWN OF COTTONPORT, LOUISIANA
Annual Financial Statements
As of and for the year ended June 30, 2004

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INDEPENDENT AUDITORS' REPORT

The Honorable Cleveland J. Carmouche, Mayor
And Members of the Council
Town of Cottonport, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and remaining fund information, which collectively comprise the basic financial statements, of the Town of Cottonport, Louisiana, as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the Town of Cottonport, Louisiana's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and major funds, and remaining fund information of the Town of Cottonport, Louisiana, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, of those activities and funds and the budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the Town of Cottonport, Louisiana has implemented a new financial reporting model, as required by the provisions of Government Accounting Standards Board Statement No. 34, *Basic financial statements – and Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2004.

The Management's Discussion and Analysis and the other required supplementary information on pages 4 through 8 and 35 through 38, respectively, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Cottonport, Louisiana's basic financial statements. The combining and individual fund statements and schedules described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 29, 2004 on our consideration of the Town of Cottonport, Louisiana's internal control over financial reporting and our tests on its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



DUCOTE & COMPANY

Marksville, Louisiana
November 29, 2004

REQUIRED SUPPLEMENTAL INFORMATION (PART I)
Management's Discussion and Analysis

Town of Cottonport, Louisiana
*Management's
Discussion and Analysis
June 30, 2004*

This discussion and analysis is intended to be an easily readable analysis of the Town of Cottonport's financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow:

Report Layout

This report is significantly different from prior years. Besides the Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, notes to the financial statements, combining schedules of non-major funds and supplementary information. The first several statements are highly condensed and present a government-wide view of the Town's finances. Within this view, all Town operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as police, fire, public works, parks and recreation, community development and general government administration. The sales tax fund is also included in the governmental activities. The Town's component unit, the Cottonport Volunteer Fire Department has their general fund reported within the governmental activities. The Town's other activities of water and sewer operations are reported within the business-type activities. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the Town.

Basic Financial Statements

- The Statement of Net Assets focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets the community owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. For the first time, governmental activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities have long reported capital assets and long-term liabilities. Also, for the first time, governmental activities are reported on the accrual basis of accounting.
- The Statement of Activities focuses gross and net costs of town programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on major governmental funds and proprietary funds. The Town's major governmental funds are presented in their own column and the remaining funds are combined into a column titled "Other Governmental Funds." A budgetary comparison is presented for the general fund and the sales tax fund. Statements for the Town's proprietary funds follow the governmental funds and include net assets, revenue, expenses and changes in net assets, and cash flow.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Town's financial condition.

Readers desiring additional information on non-major funds can find it in the Combining Statements of Non-major Funds section of this report. Completing the financial section of the report are schedules on capital assets and other financial schedules.

The MD&A is intended to explain the significant changes in financial position and differences in operation between the current and prior years. To be an accurate presentation, the prior year would have to be restated to the new reporting format. The Town has chosen not to restate the prior year. Nevertheless when possible, significant changes from the prior year are explained in the following paragraphs.

Government-wide Financial Statements

Because this is the first year to report governmental activities on the new standard, comparison to the prior year is not possible. In subsequent years, this section will discuss and analyze significant differences. A condensed version of the Statement of Net Assets at June 30, 2004 follows:

Net Assets at Year-end

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Government</u>
Cash and Investments	\$ 291,697	\$ 231,335	\$ 523,032
Other assets	45,682	55,134	100,816
Capital assets	<u>848,433</u>	<u>2,363,877</u>	<u>3,212,310</u>
Total assets	1,185,812	2,650,346	3,836,158
Other liabilities	24,665	51,942	76,607
Long-term liabilities	<u>44,000</u>	<u>-</u>	<u>44,000</u>
Total liabilities	68,665	51,942	120,607
Net assets			
Investment in capital assets,			-
Net of related debt	791,433	2,363,878	3,155,311
Restricted	4,685	-	4,685
Unrestricted	<u>321,029</u>	<u>234,526</u>	<u>555,555</u>
Total net assets	<u>\$ 1,117,147</u>	<u>\$ 2,598,404</u>	<u>\$ 3,715,551</u>

During the year ended June 30, 2004, the following significant event changed the balance of net assets:

Governmental Activities. By far the largest change was the inclusion of general government capital assets and long-term debt that previously were not reported. These additions affect the governmental activities' net assets. The net value of the assets and liabilities, \$791,433, was added to net assets. The inclusion of these amounts was the most significant change in net assets.

A condensed version of the Statement Activities follows:

**Governmental and Proprietary Activities
For the year ended June 30, 2004**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Government</u>
<u>Revenues</u>			
Program Revenues:			
Charges for services	\$ 19,964	\$ 563,372	\$ 583,336
General Revenues:			
Taxes	201,883		201,883
Franchise fees	93,909		93,909
Licenses and permits	55,233		55,233
Intergovernmental	86,389		86,389
Unrestricted Investment earnings		4,505	4,505
Miscellaneous	24,777		24,777
Transfers	<u>145,000</u>	<u>(145,000)</u>	<u>-</u>
Total revenues and transfers	627,155	422,877	1,050,032
<u>Expenses</u>			
General government	206,092		206,092
Public safety	297,842		297,842
Streets and bridges	179,815		179,815
Health and sanitation	8,868		8,868
Utility services-Water and Sewer		482,475	482,475
Disposal of fixed assets	77,232	673	77,905
Interest and fiscal charges	<u>4,510</u>	<u>-</u>	<u>4,510</u>
Total Expenses	774,359	483,148	1,257,507
Increase (Decrease) in net assets	<u>\$ (147,204)</u>	<u>\$ (60,271)</u>	<u>\$ (207,475)</u>

Governmental activities.

Governmental program expenses remained similar to prior year with the largest increases in the area of insurance costs and personnel costs. Revenues were down from the prior year by approximately \$42,000.

Business-type activities.

The water and sewer fund had an operating loss for the year after transfers out to other funds totaling \$145,000. Revenues in the enterprise fund were up slightly from the prior year and increased by approximately \$20,000 as a result of additional cost to comply with mandates from DEQ and repairs necessary to the utility systems.

Budgetary Highlights

Over the course of the year the Town Council revised the budget one time. In total, the general fund's expenditures were \$31,630 less than budgeted and revenues were \$14,698 more than budgeted for a total favorable budget variance of \$46,327. Amendments to the original budget resulted in approximately \$40,000 net favorable budgetary operating results.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2004 the Town had \$5,560,140 invested in capital assets, including police and fire equipment, park and recreation facilities, buildings, and water and sewer lines. This amount represents a net decrease of \$29,633 (additions net of deletions). The Town deleted assets totaling a net of \$96,118 from its fixed asset records that had been disposed of, junked or became obsolete in prior years as a result of converting its fixed asset records to comply with GASB 34. Current year asset additions totaled \$66,485.

Capital Assets at Year-end

	Governmental Activities		Business-type Activities		Totals	
	2003	2004	2003	2004	2003	2004
Land and improvements	\$ 68,047	\$ 76,031	\$ -	\$ -	\$ 68,047	\$ 76,031
Construction in progress	7,305	7,305	-	-	7,305	7,305
Buildings and improvements	676,295	674,818	-	-	676,295	674,818
Furniture, fixtures and equipment	239,553	235,662	-	-	239,553	235,662
Vehicles and tractors	502,890	434,454	-	-	502,890	434,454
Water lines, wells, extensions and equipment	-	-	2,038,039	2,012,704	2,038,039	2,012,704
Treatment facility, lines and equipment	-	-	2,036,806	2,098,328	2,036,806	2,098,328
Subtotal	\$ 1,494,090	\$ 1,428,270	\$ 4,074,845	\$ 4,111,032	\$ 5,568,935	\$ 5,539,302
Accumulated depreciation	<u>529,383</u>	<u>579,837</u>	<u>1,668,621</u>	<u>1,747,154</u>	<u>2,198,004</u>	<u>2,326,991</u>
Capital assets, net	<u>\$ 964,707</u>	<u>\$ 848,433</u>	<u>\$ 2,406,224</u>	<u>\$ 2,363,878</u>	<u>\$ 3,370,931</u>	<u>\$ 3,212,311</u>

Debt Outstanding

At year-end, the Town had a balance of \$57,000 owed on the 1988 Certificates of Indebtedness versus \$70,000 last year, a decrease of \$13,000. The Town did not incur any new debt during the fiscal year ended June 30, 2004. More detailed information on the Town's long-term liabilities are presented in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Due to the rising cost of insurance and personnel costs, the limited sources of revenue available and the current economic conditions, the Town is projecting excess expenditures in the General Fund of \$158,673. This excess will eliminate almost entirely the available fund balance in that fund. This excess is projected even after transferring in \$335,000 from the sales tax fund and water and sewer fund. After the projected transfers from the sales tax fund, the resulting available fund balance would decrease by \$50,610. After the projected transfers from the water and sewer fund the resulting available fund balance would decrease by \$70,228. This budget includes provisions for costs to complete projects that were initiated by the current administration prior to the end of the 2004 fiscal year. These projects are as follows:

- \$5,000 local match for the walking trail (out of an estimated total project cost of \$15,000)
- \$25,000 local share for the sidewalk project (out of an estimated total project cost of \$165,000)
- \$26,000 for the purchase of a new police car
- \$35,000 local share for alterations and renovations to the Cottonport Community Center (out of an estimated total project cost of \$160,000)

Financial Contact

The Town's financial statements are designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the revenues it receives. If you have any questions about this report or need additional financial information, please contact Theresa Jenkins, the Town Clerk at 931 Bryan Street, Cottonport, LA 71327.

BASIC FINANCIAL STATEMENTS

TOWN OF COTTONPORT, LOUISIANA
STATEMENT OF NET ASSETS
JUNE 30, 2004

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and interest-bearing deposits	\$291,697	\$193,944	\$485,641
Receivables:			
Accounts	0	53,496	53,496
Taxes	10,340	0	10,340
Accrued interest	515	1,366	1,882
Other	34,826	270	35,097
Restricted assets:			
Cash and interest-bearing deposits		37,391	37,391
Capital assets, net of accumulated depreciation	<u>848,433</u>	<u>2,363,877</u>	<u>3,212,310</u>
TOTAL ASSETS	<u>\$1,185,812</u>	<u>\$2,650,346</u>	<u>\$3,836,158</u>
<u>LIABILITIES</u>			
Accounts payable	\$10,650	\$14,551	\$25,201
Due to other funds	1,015	0	1,015
Payable from restricted assets-			
Customers' deposits	0	37,391	37,391
Current portion of long-term debt	13,000	0	13,000
Long-term bonds payable	<u>44,000</u>	<u>0</u>	<u>44,000</u>
TOTAL LIABILITIES	<u>\$68,665</u>	<u>\$51,942</u>	<u>120,607</u>
<u>NET ASSETS</u>			
Reserved for-			
Debt Service	\$4,685	\$0	\$4,685
Investment in capital assets, net of related debt	791,433	2,363,878	\$3,155,311
Unrestricted	<u>321,029</u>	<u>234,526</u>	<u>\$555,555</u>
TOTAL NET ASSETS	<u>\$1,117,147</u>	<u>\$2,598,404</u>	<u>\$3,715,551</u>

The accompanying notes are an integral part of this financial statement .

**TOWN OF COTTONPORT, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004**

	Net (Expenses) Revenue and Change in Net Assets				Total
	Expenses	Charges for Services	Governmental Activities	Business- Type Activities	
ACTIVITIES					
Governmental activities:					
General government	206,092	0	(206,092)	0	(206,092)
Public safety:					
Police	204,982	19,964	(185,018)	0	(185,018)
Fire	90,593	0	(90,593)	0	(90,593)
City Court	2,267	0	(2,267)	0	(2,267)
Streets and bridges	179,815	0	(179,815)	0	(179,815)
Health and sanitation	8,868	0	(8,868)	0	(8,868)
Interest and fiscal charges	4,510	0	(4,510)	0	(4,510)
Total Governmental Activities	697,127	19,964	(677,163)	0	(677,163)
Business-type activities:					
Water and Sewer	482,475	563,372	0	80,897	80,897
Total Town of Cottonport	\$1,179,602	\$583,336	\$(677,163)	\$80,897	\$(596,266)
GENERAL REVENUES:					
Taxes			\$201,883	\$0	201,883
Franchise fees			93,909	0	93,909
Licenses and permits			55,233	0	55,233
Intergovernmental			86,389	0	86,389
Unrestricted investment earnings			0	4,505	4,505
Miscellaneous			24,777	0	24,777
Special item-Loss on disposal of asset			(77,232)	(673)	(77,905)
Transfers			145,000	(145,000)	0
Total general revenues, special items and transfers			529,959	(141,168)	388,791
Change in net assets			(147,204)	(60,271)	(207,475)
Net assets beginning of year			1,264,351	2,658,675	3,923,026
Net assets end of year			\$1,117,147	\$2,598,404	\$3,819,616

The accompanying notes are an integral part of this financial statement.

**TOWN OF COTTONPORT, LOUISIANA
BALANCE SHEET-GOVERNMENTAL FUNDS AND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004**

	General Fund	Sales Tax Fund	Volunteer Fire Department Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and interest-bearing deposits	\$171,855	\$88,764	\$26,294	\$4,783	\$291,697
Receivables:					
Taxes	0	10,340	0	0	10,340
Accrued interest	288	228	0	0	515
Other	34,826	0	0	0	34,826
TOTAL ASSETS	\$206,969	\$99,333	\$26,294	\$4,783	\$337,379

LIABILITIES					
Accounts payable	\$10,424	\$226	\$0	\$0	\$10,650
Due to other funds	1,015	0	0	0	1,015
Total liabilities	11,439	226	0	0	11,665

FUND BALANCES					
Reserved for-					
Debt Service	0	0	0	4,685	4,685
Unrestricted	195,530	99,107	26,294	98	321,029
Total fund balances	195,530	99,107	26,294	4,783	325,714
TOTAL LIABILITIES AND FUND BALANCE	\$206,969	\$99,333	\$26,294	\$4,783	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,428,270	
Less: accumulated depreciation	(579,837)	848,433
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(57,000)
NET ASSETS OF GOVERNMENTAL ACTIVITIES		1,117,147

The accompanying notes are an integral part of this financial statement .

**TOWN OF COTTONPORT, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004**

	General Fund	Sales Tax Fund	Volunteer Fire Department Fund	Other Governmental Funds	Totals Governmental Funds
REVENUES:					
Taxes	\$30,096	\$121,667	\$50,121	\$0	\$201,883
Franchise fees	93,909	0	0	0	93,909
Licenses and permits	55,233	0	0	0	55,233
Intergovernmental	71,294	0	15,095	0	86,389
Fines and forfeits	19,964	0	0	0	19,964
Miscellaneous	22,603	1,413	639	121	24,777
TOTAL REVENUES	293,098	123,080	65,856	121	482,155
EXPENDITURES:					
Current -					
General government	195,166	1,595	0	22	196,782
Public safety:					
Police	193,732	0	0	0	193,732
Fire	26,726	0	38,528	0	65,254
City Court	2,267	0	0	0	2,267
Streets and bridges	175,260	0	0	0	175,260
Health and sanitation	8,868	0	0	0	8,868
Capital outlay	1,618	0	9,794	0	11,412
Debt service -					
Principal retirement	0	0	0	13,000	13,000
Interest and fiscal charges	0	0	0	4,510	4,510
TOTAL EXPENDITURES	603,636	1,595	48,323	17,532	671,085
Excess (deficiency) of revenues over expenditures	(310,539)	(121,485)	17,534	(17,410)	(188,930)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	275,000	0	0	16,426	291,426
Operating transfers out	0	(130,000)	(16,426)	0	(146,426)
TOTAL OTHER FINANCING SOURCES (USES)	275,000	(130,000)	(16,426)	16,426	145,000
Excess (deficiency) of revenues over expenditures and other sources (uses)	(35,539)	(8,515)	1,108	(984)	(43,930)
FUND BALANCES AT BEGINNING OF YEAR	231,069	107,621	25,186	5,767	369,644
FUND BALANCES AT END OF YEAR	\$195,530	\$99,107	\$26,294	\$4,783	\$325,714

The accompanying notes are an integral part of this financial statement.

**TOWN OF COTTONPORT, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

Net change in fund balances - Governmental Funds **\$(43,930)**

The change in net assets reported for governmental activities is in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as

depreciation expense. This is the amount by which

Capital outlay (\$11,412) exceeded depreciation (\$50,454)

In the current period.

(39,042)

Debt service payments are deducted as expenditures

in the current year. On the statement of activities

debt payments are not deducted since they reduce the liability

on the statement of net assets. Debt payments for

the current year are added back to reconcile to

the net change in assets.

13,000

In converting to GASB 34 for purposes of depreciating fixed assets

for governmental fund activities, a total of \$77,232 of obsolete or junked assets

were removed from the fixed asset records. This amount is reflected in the

statement of activities but not reported on the governmental fund statements.

(77,232)

Change in net assets of governmental activities

\$(147,204)

TOWN OF COTTONPORT, LOUISIANA
 STATEMENT OF NET ASSETS
 PROPRIETARY FNUD
 JUNE 30, 2004

	Water & Sewer Fund
ASSETS	
Cash and interest-bearing deposits	\$193,944
Receivables:	
Accounts	53,496
Accrued interest	1,366
Other	270
Restricted assets:	
Cash and interest-bearing deposits	37,391
Utility, property, plant and equipment	4,111,032
Accumulated depreciation	(1,747,154)
TOTAL ASSETS	\$2,650,346
 LIABILITIES	
Accounts payable	\$14,551
Payable from restricted assets-	
Customers' deposits	37,391
 Total liabilities	 51,942
 NET ASSETS	
Investment in capital assets, net of related debt	2,363,878
Unrestricted	234,526
TOTAL NET ASSETS	\$2,598,404

The accompanying notes are an integral part of this financial statement.

TOWN OF COTTONPORT, LOUISIANA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	<u>Enterprise Fund</u>
<u>OPERATING REVENUES:</u>	
Charges for services -	
Water services	\$324,353
Sewer services	131,891
LAWCO water line	<u>107,129</u>
TOTAL OPERATING REVENUES	<u>563,372</u>
<u>OPERATING EXPENSES:</u>	
Water department	210,569
Sewer department	121,688
General and administrative	53,471
Depreciation	<u>96,747</u>
TOTAL OPERATING EXPENSES	<u>482,475</u>
OPERATING INCOME (LOSS)	<u>80,897</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Interest income	4,505
Loss on disposal of assets	<u>(673)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>3,832</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>84,729</u>
<u>OPERATING TRANSFERS IN (OUT):</u>	
Operating transfers in	33,000
Operating transfers out	<u>(178,000)</u>
TOTAL OPERATING TRANSFERS	<u>(145,000)</u>
NET INCOME (LOSS)	(60,271)
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>2,658,675</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$2,598,404</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF COTTONPORT, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	<u>Enterprise Fund</u>
Cash flows from operating activities	
Receipts from customers	\$563,557
Payments to suppliers	(284,810)
Payments to employees for salaries and benefits	<u>(105,524)</u>
Net cash provided by operating activities	173,223
Cash flows from noncapital financing activities:	
Operating transfers to other funds	<u>(145,000)</u>
Cash flows from capital and related financing activities:	
Purchase of Capital Assets	(54,401)
Loss on disposal of assets	<u>673</u>
Net cash provided by/(used) for capital and related financing activities	<u>(53,728)</u>
Cash flows from investing activities:	
Interest received from interest bearing deposits	4,505
Net (increase) decrease in restricted cash	<u>(1,311)</u>
Net cash provided by/(used) for investing activities	<u>3,194</u>
Net increase (decrease) in cash and cash equivalents	(22,311)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>253,646</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u><u>\$231,335</u></u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$80,897
Adjustment to reconcile net income to net cash provided by operating activities:	
Depreciation	96,747
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	185
(Increase) decrease in other receivables	88
Increase (decrease) in accounts payable	(6,005)
Increase (decrease) in customer deposits	<u>1,311</u>
Net cash provided by/(used) for operating activities	<u><u>\$173,223</u></u>

The accompanying notes are an integral part of this financial statement.

**TOWN OF COTTONPORT, LOUISIANA
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2004**

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and interest-bearing deposits	\$6,246
Due from other funds	<u>1,015</u>
TOTAL ASSETS	<u>\$7,261</u>
<u>LIABILITIES</u>	
Accounts payable	\$7,261
Due to other funds	<u>0</u>
TOTAL LIABILITIES	<u>7,261</u>
NET ASSETS	<u>\$0</u>

The accompanying notes are an integral part of this financial statement .

**TOWN OF COTTONPORT, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

INTRODUCTION

The Town of Cottonport (Town) was incorporated on March 28, 1896. On October 21, 1924, under the provisions of the Lawrason Act, the Town began operating under a Mayor-Council form of government.

The accounting and reporting policies of the Town of Cottonport conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the industry audit guide, Audits of State and Local Governmental Units.

Financial Reporting Entity.

Government Accounting Standards Board Statement (GASB) 14 established criteria for determining which component units should be considered part of the Town of Cottonport, Louisiana for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

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, to 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 of significance of the relationship.

Based upon the application of the foregoing criteria, the volunteer fire department as a governmental organization is considered a part of the Town and is thus included in the accompanying financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

A. Implementation of New Accounting Standards.

For the fiscal year ended June 30, 2004, the Town of Cottonport, Louisiana implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis-for State and Local Governments* (GASB 34). This statement affects the manner in which the Town records transactions and presents financial information.

State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports. GASB 34 establishes new requirements and a new reporting model, much like private-sector financial reports, for the annual financial reports of state and local governments. The new format was developed to make annual reports of state and local governments easier to understand and more useful to users of governmental financial information.

Management's Discussion and Analysis-GASB 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the Town's financial activities in the form of management's discussion and analysis (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

**TOWN OF COTTONPORT, LOUISIANA
NOTES TO FINANCIAL STATEMENTS, (Continued)**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements-The reporting model includes financial statements prepared using full accrual accounting for all the Town's activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. Government-wide financial statements including the following:

Statement of Net Assets-The statement of net assets is designed to display the financial position of the Primary Government (governmental and business-type activities). The Town reports capital assets in the government-wide statement of net assets and reports depreciation expense-the cost of "using up" capital assets-in the statement of activities. The net assets of the Town are broken down into three categories-1) Invested in capital assets, net of related debt; 2) restricted; and unrestricted.

Statement of Activities-The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the Town's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the Town had recorded capital assets and certain other long-term assets and liabilities in the statement of net assets and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities.

B. Basic Financial Statements.

Basic financial statements consist of the following:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the basic financial statements.

The government-wide financial statements consist of the statement of net assets and the statement of activities and report information on all of the nonfiduciary activities of the Primary Government and its component units. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net assets have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column. In the statement of activities, transactions between governmental and business-type activities have not been eliminated.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety (police, fire and city court), streets and bridges, health and sanitation and public improvements. The business-type activities of the Town include water and wastewater operations.

TOWN OF COTTONPORT, LOUISIANA
NOTES TO FINANCIAL STATEMENTS, (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, and 2) grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town in general considers revenues available if they are collected within 180 days after year-end, except for property taxes, which the Town considers available if they are collected within 60 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when payment is due.

For the governmental funds financial statements, the Town consider all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically sales taxes, franchise taxes, licenses, interest, special assessments, charges for services, and other miscellaneous revenue are all considered to be susceptible to accrual and have been recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and are recorded at the time of receipt or earlier, if the susceptible to accrual criteria are met.

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

The Town reports the following major governmental funds:

The General Fund is the municipality's primary fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

TOWN OF COTTONPORT, LOUISIANA
NOTES TO FINANCIAL STATEMENTS, (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

Debt service funds are used to account for the accumulation of resources retained and used for the payment of principal, interest, and related costs on those long-term obligations recorded in the general long-term obligations account group.

Capital projects funds are used to account for financial resources to be used for acquisition or construction of major capital facilities (other than those financed in the proprietary funds and trust funds).

The Town reports the following major proprietary fund:

Utility funds are used to account for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through users charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town of Cottonport's enterprise fund is the Water and Wastewater Utility Fund.

Additionally, the Town reports the following fund types:

Fiduciary funds, which consist solely of Agency funds, account for assets held by the Town as a trustee or as an agent for individuals or other governmental units. The only fiduciary fund type used by the Town is the Agency Fund type. Agency funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The funds account for assets held by the Town in an agency capacity for individuals or other governmental units.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

**TOWN OF COTTONPORT, LOUISIANA
NOTES TO FINANCIAL STATEMENTS, (Continued)**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets and Budgetary Accounting.

The Town follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The Town Clerk prepares a proposed budget and submits it to the Mayor and Council not later than fifteen days prior to the beginning of each fiscal year.
2. A notice is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. 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 a resolution prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program of function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Town Council.
6. All budgetary appropriations lapse at the end of each fiscal year.

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and are used as a management control device. Annual budgets are adopted for the General Fund, Sales Tax, Volunteer Fire Department, Debt Service, Capital Projects Funds (if any) and the Enterprise Fund. The Town maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the Town Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the operating budget is within a fund. Budgeted amounts presented are as originally adopted and as further amended by the Town Council.

E. Deposits and Investments.

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Town's investment policy allow the Town to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal officers in Louisiana. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost, which approximates market.

TOWN OF COTTONPORT, LOUISIANA
NOTES TO FINANCIAL STATEMENTS, (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash Flow Presentation.

For the purpose of the statement of cash flows, the Enterprise Fund (Water & Sewer System Fund) consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

G. Bad Debts.

Uncollectible amounts due for ad valorem taxes and customers' utility receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. No allowance for uncollectible amounts was made due to the immateriality at June 30, 2004.

H. Due to and Due from Other funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

I. Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Long-Term obligations of the Town consists of a Certificate of Indebtedness, Series 1998, at June 30, 2004.

J. Accumulated Unpaid Vacation and Other Employee Benefits.

Town employees are entitled to certain compensated absences based upon their length of service.

Vacation and sick leave are accounted for on a fiscal year basis beginning January 1st through December 31st.

Vacation leave is earned at the rate of five days to fifteen days per year depending on the employee's length of service with the Town. Vacation leave earned does not accumulate from year to year and expires on January 31st of the succeeding year in which it was earned.

Sick leave is earned at the rate of five days per year for employees who have reached full-time status and have been employed up to five years. Employees who have been employed greater than five years are granted an additional day for each year of employment over five years. Accumulated sick leave is not payable at the time of separation.

At June 30, 2004, vested leave benefits have not been accrued as required by GASB Statement No. 16 "Accounting for Compensated Absences", due to immateriality.

**TOWN OF COTTONPORT, LOUISIANA
NOTES TO FINANCIAL STATEMENTS, (Continued)**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets

Under GASB Statement No. 34, all capital assets, whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Land Improvements (Infrastructure)	10 - 50
Building and building improvements	20 - 50
Service vehicles and moveable equipment	7 - 15
Heavy equipment	10 - 20
Office furniture and fixtures	5 - 10

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

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method over the following useful lives:

	<u>Years</u>
Water wells and waste collection system	40 - 50
Water and sewer lines and meters	10 - 50
Pumps, motors and compressors	10 - 40
Service vehicles and moveable equipment	7 - 15

L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specified purpose. Designations of fund balance represent tentative management plans that are subject to change.

**TOWN OF COTTONPORT, LOUISIANA
NOTES TO FINANCIAL STATEMENTS, (Continued)**

NOTE 2. CASH AND CASH EQUIVALENTS

At June 30, 2004, the Town had cash and cash equivalents (book balance) totaling \$529,838, as follows:

Demand deposits	\$169,636
Time deposits	<u>360,202</u>
Total	<u>\$529,838</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balance) 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 June 30, 2004, the Town had \$542,459 in deposits (collected bank balances) including investments listed in note 3. These deposits (including investments) are secured from risk by \$210,831 of federal deposits insurance and \$331,628 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though pledged securities are considered uncollateralized (Category 3) under the provisions of GASB statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirements on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3. INVESTMENTS

At June 30, 2004, the Town held investments totaling \$225,734 in 180 day certificates of deposit. These investments are stated at cost, which approximate market, and are secured from risk by federal deposit insurance (see note 2).

NOTE 4. RECEIVABLES

Receivables totaling \$34,826 in the general fund consisted of the following at June 30, 2004:

Due from other governmental agencies	
Video Poker Revenue	\$ 1,075
Casino Gaming Revenue	10,096
Beer Tax	835
DOTD Maintenance fees	<u>2,303</u>
Total	<u>\$ 14,309</u>
Other Receivables	
Franchise Fees	\$ 18,441
Ad Valorem Taxes	243
NSF Check Receivable	<u>1,833</u>
Total	<u>\$ 20,517</u>

**TOWN OF COTTONPORT, LOUISIANA
NOTES TO FINANCIAL STATEMENTS, (Continued)**

NOTE 4. RECEIVABLES (Continued)

In the enterprise fund unbilled utility receivables were immaterial at June 30, 2004. Billed receivables balances at June 30, 2004 consisted of the following:

<u>Utility Billings</u>	<u>Water and Sewer System</u>
Current billings	\$ 49,373
Over 30 days	<u>4,123</u>
	<u>\$ 53,496</u>

NOTE 5. INTERFUND RECEIVABLES, PAYABLES

The following is a summary of interfund receivable and payable balances at June 30, 2004:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 1,015
Agency Funds	<u>1,015</u>	<u>-</u>
Totals	<u>\$ 1,015</u>	<u>\$ 1,015</u>

NOTE 6. RESTRICTED ASSETS – PROPRIETARY FUND TYPE

Restricted assets were applicable to the following at June 30, 2004:

Customer Meter Deposits	<u>\$37,391</u>
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TOWN OF COTTONPORT, LOUISIANA
NOTES TO FINANCIAL STATEMENTS, (Continued)

NOTE 7. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2004, are as follows:

	<u>Balance</u> <u>7/01/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/04</u>
Governmental activities:				
<u>Capital assets not being depreciated:</u>				
Land and Improvements	\$ 68,047	\$ 7,984	\$ -	\$ 76,031
Construction in Progress	<u>7,305</u>	<u>-</u>	<u>-</u>	<u>7,305</u>
Total capital assets not being depreciated	<u>\$ 75,352</u>	<u>\$ 7,984</u>	<u>\$ -</u>	<u>\$ 83,336</u>
<u>Capital assets being depreciated:</u>				
Buildings and Improvements	\$ 676,295	\$ 2,600	\$ 4,077	\$ 674,818
Furniture, Fixtures, and Equipment	239,553	8,812	12,703	235,662
Vehicles and Tractors	<u>502,890</u>	<u>-</u>	<u>68,436</u>	<u>434,454</u>
Total capital assets being depreciated	<u>\$1,418,738</u>	<u>\$ 11,412</u>	<u>\$ 85,216</u>	<u>\$1,344,934</u>
<u>Less accumulated depreciation for:</u>				
Buildings and Improvements	\$ 241,957	\$ 14,543	\$ -	\$ 256,500
Furniture, Fixtures, and Equipment	123,473	14,897	-	138,370
Vehicles and Tractors	<u>163,953</u>	<u>21,014</u>	<u>-</u>	<u>184,967</u>
Total accumulated depreciation	<u>\$ 529,383</u>	<u>\$ 50,454</u>	<u>\$ -</u>	<u>\$ 579,837</u>
Total Capital assets being depreciated, net	<u>\$ 889,355</u>			<u>\$ 765,097</u>

For the year ended June 30, 2004, depreciation expense was \$50,454.

Business-type activities:

Capital assets being depreciated:

Water department:

Water lines, well and extensions and equipment	\$ 2,038,039	\$ 548	\$ 25,883	\$ 2,012,704
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Sewer department:

Treatment facility, lines and equipment	<u>2,036,806</u>	<u>64,647</u>	<u>3,125</u>	<u>2,098,328</u>
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Total Capital assets

being depreciated	4,074,845	\$ 65,195	\$ 29,008	4,111,032
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Less accumulated depreciation	<u>(1,668,621)</u>			<u>(1,747,154)</u>
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Total business-type assets

being depreciated, net	<u>\$ 2,406,224</u>			<u>\$ 2,363,878</u>
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Current year additions of business-type assets totaled \$55,073 net of reclassifications and deletions as a result of implementation of GASB 34.

For the year ended June 30, 2004, depreciation expense was \$96,474.

TOWN OF COTTONPORT, LOUISIANA
NOTES TO FINANCIAL STATEMENTS, (Continued)

NOTE 8. CHANGES IN LONG-TERM DEBT

One June 15, 1998, the Town of Cottonport issued \$126,000 of Certificates of Indebtedness, Series 1998. These Certificates are due May 1 and November 1 of each year, beginning November 1, 1998 through May 1, 2008 and are secured by excess annual revenues of the Town. The interest rate ranges from 4.65 to 5.10 percent.

The annual requirements to amortize the certificates of indebtedness outstanding as of June 30, 2004, including interest payments of \$7,383 are as follows:

<u>Year Ending June 30</u>	<u>Certificates of Indebtedness</u>
2005	15,872
2006	16,223
2007	16,523
2008	<u>15,765</u>
 Total	 <u>\$ 64,383</u>

NOTE 9 CHANGES IN AGENCY FUND

The following is a summary of changes in assets and liabilities of the Agency Fund for the year ended June 30, 2004:

	<u>Balance 7/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/04</u>
Assets				
Cash	\$6,521	\$ 775,711	\$ 775,986	\$6,246
Due from other funds	278	448,424	447,687	1,015
Other receivables	<u>-</u>	<u>251</u>	<u>251</u>	<u>-</u>
	<u>\$6,799</u>	<u>\$1,224,386</u>	<u>\$1,223,924</u>	<u>\$7,261</u>
Liabilities				
Payroll taxes payable	\$5,994	\$ 88,571	\$ 93,674	\$ 891
Retirement payable	-	28,241	21,904	6,337
Other liabilities	<u>805</u>	<u>61,937</u>	<u>62,709</u>	<u>33</u>
	<u>\$6,799</u>	<u>\$ 178,749</u>	<u>\$ 178,287</u>	<u>\$7,261</u>

NOTE 10. AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October and are actually billed to taxpayers in December. Billed taxes become delinquent on January 1 of the following year. The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of Avoyelles Parish. Ad valorem tax revenues are budgeted in the year billed.

For the year ended June 30, 2004, taxes of 5.68 mills were levied on property with assessed valuations totaling \$5,305,860 and were dedicated as follows:

General corporate purposes 5.68 mills

Total taxes levied were \$30,137. Taxes receivable at June 30, 2004, were \$243.

**TOWN OF COTTONPORT, LOUISIANA
NOTES TO FINANCIAL STATEMENTS, (Continued)**

NOTE 11. DEDICATION OF PROCEEDS AND FLOW OF FUNDS – SALES AND USE TAX LEVY

On October 21, 1995, the voters of the Town of Cottonport approved a one (1%) sales and use tax for a period of twenty-five years from April 1, 1996. The revenues derived from said sales and use tax are to be used for the purpose of constructing, acquiring, extending, improving, operating and maintaining sewers and sewerage disposal works, waterworks, facilities, public streets and drainage facilities.

NOTE 12. WATER PURCHASE CONTRACTS

The Town of Cottonport has various contract agreements in effect for the sales of water with details and terms as follows:

1. Louisiana Water Company (LAWCO) – Contract dated July 1, 1995, requiring the Town of Cottonport to supply water for resale in Mansura, Louisiana for a period of twenty (20) years at a rate of \$1.28 per 1,000 gallons with a minimum of \$500 per month. Effective July 1, 2004 for a ten year period, the rate increases to \$1.32 per 1,000 gallons with a minimum of \$500 per month.
2. Ward 3 Avoyelles Water District – Contract date January 23, 1995, requiring the Town of Cottonport to supply water for resale to Ward 3 of Avoyelles Parish for Twenty (20) years at a rate of \$1.12 per 1,000 gallons with a minimum rate of \$500 per month. Effective January 23, 2004 the rate was increased to \$1.20 per 1,000 with a minimum of \$500 per month.
3. Village of Plaquemine – Contract dated February 1, 2003, requiring the Town of Cottonport to supply water for resale to Plaquemine, Louisiana for a term of one (1) year at a rate of \$1.12 per 1,000 gallons per month.
4. Louisiana Correctional Facilities Corporation – Verbal agreement requiring the Town of Cottonport to supply water for resale to the Medium Security Prison in Cottonport at a rate of \$1.12 per 1,000 gallons.

NOTE 13. ROAD MAINTENANCE AGREEMENT

On July 1, 1998 the Town of Cottonport entered into a maintenance agreement with the Department of Transportation and Development for one-year period whereby the Town will maintain its municipal streets and roads, including mowing and litter pickup, and the Department of Transportation and Development will reimburse the Town with semi-annual payments totaling \$4,605, which was determined at a rate of \$921 per mile for five miles of undivided streets per year. This contract is renewed on an annual basis.

**TOWN OF COTTONPORT, LOUISIANA
NOTES TO FINANCIAL STATEMENTS, (Continued)**

NOTE 14. FRANCHISE AGREEMENTS

The Town of Cottonport has entered into franchise agreements with various public utility companies that provide services within the corporate limits of the Town. A summary of each such agreement follows:

1. Central Louisiana Electric Company, Inc. (CLECO) – effective October 9, 1985, for a period of thirty (30) years. Franchise fee is based on four percent (4%) of the gross receipts from the sale and delivery of electric energy for residential and commercial purposes billed on commercial and residential rates within the Town. Fees payable quarterly within thirty (30) days of the end of the quarter. Other franchise provisions are as follows:
 - A. Franchise payments will be reduced in an amount equal to the sum of any new or increased taxes of any nature whatsoever levied by the municipality and payable to CLECO (except uniform ad valorem taxes, based on property values).
 - B. CLECO will provide free electric services to the Town and reduce street light rates until November 1988. Thereafter, prevailing commercial rates shall apply and street light rates will increase.
2. Classic Communication, Inc. (formerly Galaxy Cablevision) – effective June 8, 1981 for a period of fifteen (15) years. The franchise fee is based on five percent (5%) of gross subscription receipts, less sales taxes, federal excise tax and copyright fees, received by the company within the Town limits. Fees are payable to the Town quarterly, by the 10th of the following month. On May 11, 1994, the Town transferred this franchise agreement for Galaxy Cablevision to Friendship Cable and extended the agreement for an additional thirteen (13) years after expiration of the original franchise.
3. Reliant Energy Entex (formerly Entex) – effective July 12, 1995, for a period of fifteen (15) years. Franchise fee is based on four percent (4%) of the gross receipts from the sale of gas for residential and commercial purposes billed on residential and commercial rates within the limits of the Town. Fees are payable on or before the 10th of each February.
4. CenturyTel (formerly Central Louisiana Telephone Company) - effective January 1, 1994, for a period of twenty-five (25) year. The franchise fee is based on five percent (5%) of the approved tariff rate for local access line telephone service provided by the Company within the corporate limits of the Town and the Company shall provide free to the Town three (3) local access lines. Fees are payable no later than sixty (60) days after the end of each calendar quarter.

NOTE 15. CONTRACT COMMITMENTS

On May 17, 2004, the Town entered into a contract with Scallan Contractors, Inc. for alterations and renovations to Cottonport Community Center in the amount of \$143,744.00. The cost of this project is to be funded by grant proceeds in the amount of \$125,000 from the State of Louisiana and the balance to be paid by the Town. As of June 30, 2004, work had not yet begun on the project. However, as of the date of issuance of this report, the project was significantly in progress.

NOTE 16. FUNDING COMMITMENTS

On October 27, 2003, the Town applied for and was awarded funding through the Louisiana Community Development Block Grant (LCDBG) Program in the amount of \$225,000 to fund construction of a new water well. As of the date of issuance of this report, testing was being conducted but the project had not yet commenced.

TOWN OF COTTONPORT, LOUISIANA
NOTES TO FINANCIAL STATEMENTS, (Continued)

NOTE 17. SALES TAX COLLECTION AGREEMENT

On June 5, 1992, the Town of Cottonport entered into an intergovernmental agreement with the Avoyelles Parish School Board for a one year period commencing on July 1, 1992, whereby the School Board will collect the sales and use taxes, including interest, penalties, fees and cost, levied by the Town of Cottonport under the Town's ordinances for a monthly fee of 1.5 percent of the gross tax revenues collected by the School Board. The School Board will remit collections to the Town on a monthly basis no later than the 10th day of each month after reasonable and necessary cost and expenses of collection in administration of the taxes have been deducted, including the collection fee. This contract automatically renewed for an additional consecutive one-year period commencing July 1, 2003.

NOTE 18. PENSION PLANS

Substantially all employees of the Town of Cottonport, are members of the following statewide retirement systems: Municipal Employees' Retirement System of Louisiana, Municipal Police Employees Retirement System of Louisiana. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

Municipal Employee's Retirement System of Louisiana (System)

Plan Description. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All of the employees of the municipality are members of Plan B.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2% of their final-average monthly salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3% for each year retirement precedes age 62, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100% of final-average salary. Final-average salary is the employee's salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The system issues an annual publicly available financial report that includes financial statements and required supplementary information for the system. This report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Bldg., Baton Rouge, Louisiana 70809 or by calling (504)925-4810.

Funding Policy: Under Plan B, members are required to contribute 5.00% of their annual covered salary to the system while the Town is required to contribute at an actuarially determined rate. The current rate is 7.75% of the total annual covered salary. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the system for the year ended June 30, 2004, was \$14,855 equal to the required contribution for the year.

**TOWN OF COTTONPORT, LOUISIANA
NOTES TO FINANCIAL STATEMENTS; (Continued)**

NOTE 18. PENSION PLANS (Continued)

Municipal Police Employees Retirement System of Louisiana (System)

Plan Description. All full-time police department employees engaged in law enforcement are eligible to participate in the System but not all participate. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The system issues an annual publicly available financial report that includes financial statements and required supplementary information for the system. This report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2550 or by calling (504)929-7411.

Funding Policy. Plan members are required by state statute to contribute 7.5% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rates ranged from 9.0% to 15.25% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town contributions to the System for the year ended June 30, 2004 was \$3,477 equal to the required contributions for the year.

NOTE 19. CONTINGENT LIABILITIES

There are currently charges pending against the Town a possible false arrest or false imprisonment claim against a police officer employed by the Town. The outcome of the case is uncertain but will be handled by the Town's liability insurance carrier.

NOTE 20. SUBSEQUENT EVENTS

Subsequent to the date of this financial statement, the Town completed a walking trail project at a cost to the Town of \$5,000. The balance of \$7,800 of project cost was funded by a grant from The Rapides Foundation.

REQUIRED SUPPLEMENTAL INFORMATION (PART II)

**TOWN OF COTTONPORT, LOUISIANA
BUDGETARY COMPARISON
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$30,000	\$30,000	\$30,096	\$(96)
Franchise fees	83,525	89,982	93,909	3,927
Licenses and permits	52,000	52,000	55,233	3,233
Intergovernmental	362,400	69,569	71,294	1,725
Fines and forfeits	19,500	17,500	19,964	(2,464)
Miscellaneous	18,555	19,349	22,603	3,254
TOTAL REVENUES	<u>565,980</u>	<u>278,400</u>	<u>293,098</u>	<u>14,698</u>
EXPENDITURES				
General government	355,010	206,162	195,166	10,996
Public safety:				
Police	215,850	203,150	193,732	9,418
Fire	26,329	27,829	26,726	1,103
City court	3,600	3,300	2,267	1,033
Streets and bridges	356,600	183,350	175,260	8,090
Health and sanitation	5,150	8,925	8,868	(57)
Capital outlay	0	2,550	1,618	932
TOTAL EXPENDITURES	<u>962,539</u>	<u>635,266</u>	<u>603,636</u>	<u>31,630</u>
Deficiency of revenues over expenditures	<u>(396,559)</u>	<u>(356,866)</u>	<u>(310,539)</u>	<u>46,327</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	275,000	275,000	275,000	0
Operating transfers out	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	<u>275,000</u>	<u>275,000</u>	<u>275,000</u>	<u>0</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$(121,559)</u>	<u>\$(81,866)</u>	<u>(35,539)</u>	<u>\$46,327</u>
FUND BALANCES AT BEGINNING OF YEAR			<u>231,069</u>	
FUND BALANCES AT END OF YEAR			<u>\$195,530</u>	

The accompanying notes are an integral part of this financial statement.

TOWN OF COTTONPORT, LOUISIANA
 BUDGETARY COMPARISON
 SALES TAX FUND
 FOR THE YEAR ENDED JUNE 30, 2004

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
<u>REVENUES</u>				
Taxes	\$100,000	\$110,000	\$121,667	\$11,667
Miscellaneous	2,600	1,400	1,413	13
TOTAL REVENUES	<u>102,600</u>	<u>111,400</u>	<u>123,080</u>	<u>11,680</u>
<u>EXPENDITURES</u>				
General government	1,818	1,810	1,595	215
Capital outlay	0	0	0	0
TOTAL EXPENDITURES	<u>1,818</u>	<u>1,810</u>	<u>1,595</u>	<u>215</u>
Deficiency of revenues over expenditures	<u>100,782</u>	<u>109,590</u>	<u>121,485</u>	<u>11,895</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating transfers in	0	0	0	0
Operating transfers out	(130,000)	(130,000)	(130,000)	0
TOTAL OTHER FINANCING SOURCES (USES)	<u>(130,000)</u>	<u>(130,000)</u>	<u>(130,000)</u>	<u>0</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$(29,218)</u>	<u>\$(20,410)</u>	<u>(8,515)</u>	<u>\$11,895</u>
FUND BALANCES AT BEGINNING OF YEAR			<u>107,621</u>	
FUND BALANCES AT END OF YEAR			<u>\$99,107</u>	

The accompanying notes are an integral part of this financial statement.

**TOWN OF COTTONPORT, LOUISIANA
BUDGETARY COMPARISON
VOLUNTEER FIRE DEPARTMENT FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES</u>				
Taxes	\$48,000	\$50,122	\$50,121	\$1
Intergovernmental	9,200	14,996	15,095	99
Miscellaneous	500	500	639	139
TOTAL REVENUES	<u>57,700</u>	<u>65,618</u>	<u>65,856</u>	<u>238</u>
<u>EXPENDITURES</u>				
Public safety:				
Fire	12,000	27,550	38,528	(10,978)
Capital outlay	20,000	23,450	9,794	13,656
TOTAL EXPENDITURES	<u>32,000</u>	<u>51,000</u>	<u>48,323</u>	<u>2,678</u>
Deficiency of revenues over expenditures	<u>25,700</u>	<u>14,618</u>	<u>17,534</u>	<u>2,916</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating transfers in	0	0	0	0
Operating transfers out	(16,426)	(16,426)	(16,426)	0
TOTAL OTHER FINANCING SOURCES (USES)	<u>(16,426)</u>	<u>(16,426)</u>	<u>(16,426)</u>	<u>0</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$9,274</u>	<u>\$(1,808)</u>	<u>\$1,108</u>	<u>\$2,916</u>
FUND BALANCES AT BEGINNING OF YEAR			<u>25,186</u>	
FUND BALANCES AT END OF YEAR			<u>\$26,294</u>	

The accompanying notes are an integral part of this financial statement.

TOWN OF COTTONPORT, LOUISIANA
NOTES TO BUDGETARY COMPARISON SCHEDULES
For the Year Ended June 30, 2004

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and are used as a management control device. Annual budgets are adopted for the General Fund, Sales Tax Fund, Volunteer Fire Department Fund, Debt Service Fund, Capital Projects Funds (if any) and the Enterprise Fund. The Town maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the Town Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the operating budget is within a fund. Budgeted amounts presented are as originally adopted and as further amended by the Town Council. Budgetary appropriation lapse and the end of each fiscal year and must be re-appropriated for the following year in order to be expended.

OTHER SUPPLEMENTAL INFORMATION

TOWN OF COTTONPORT, LOUISIANA
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2004

	Debt Service Fund	Capital Projects Fund	Totals Non-Major Governmental Funds
<u>ASSETS</u>			
Cash and interest-bearing deposits	\$4,685	\$98	\$4,783
TOTAL ASSETS	\$4,685	\$98	\$4,783
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities	\$0	\$0	\$0
TOTAL LIABILITIES	0	0	0
 <u>FUND BALANCES</u>			
Reserved for Debt Service	4,685	0	4,685
Unreserved, unrestricted	0	98	98
TOTAL LIABILITIES AND FUND BALANCES	\$4,685	\$98	\$4,783

TOWN OF COTTONPORT, LOUISIANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004

	Debt Service Fund	Capital Projects Fund	Total Non-Major Governmental Funds
REVENUES:			
Taxes	\$0	\$0	\$0
Intergovernmental	0	0	0
Miscellaneous	121	0	121
TOTAL REVENUES	<u>121</u>	<u>0</u>	<u>121</u>
EXPENDITURES:			
General government	22	0	22
Debt service	17,510	0	17,510
TOTAL EXPENDITURES	<u>17,532</u>	<u>0</u>	<u>17,532</u>
Excess (deficiency) of revenues over expenditures	<u>(17,410)</u>	<u>0</u>	<u>(17,410)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	16,426	0	16,426
Operating transfers out	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	<u>16,426</u>	<u>0</u>	<u>16,426</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(984)</u>	<u>0</u>	<u>(984)</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>5,670</u>	<u>98</u>	<u>5,767</u>
FUND BALANCES AT END OF YEAR	<u>\$4,685</u>	<u>\$98</u>	<u>\$4,783</u>

**TOWN OF COTTONPORT, LOUISIANA
SCHEDULE OF COMPENSATION PAID TO ELECTED OFFICIALS**

A detail of compensation paid to individual elected officials for the year ended June 30, 2004, follows:

	<u>Compensation</u>	<u>Term Expires</u>
Cleveland Carmouche, Jr, Mayor	\$ 6,000	12/31/04
Council Members:		
Curtis Francisco, Mayor Pro-Tem	2,450	12/31/04*
Kenneth Friels	2,450	12/31/04*
Louie Laborde	2,450	12/31/04*
Margaret Prater	2,450	12/31/04*
Cynthia Rozas Moreau	2,450	12/31/04
Gerald Mayeux, Police Chief	<u>28,102</u>	12/31/04
 Total	 <u>\$46,352</u>	

* Subsequent to the date of this financial statement, these elected officials were re-elected for an additional four-year term.

OTHER REPORTS REQUIRED BY GOVERNMENTAL AUDITING STANDARDS

**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**

The Honorable Cleveland Carmouche, Mayor
And the Members of the Council
Town of Cottonport, Louisiana

We have audited the basic financial statements of the Town of Cottonport, Louisiana, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 29, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Town of Cottonport, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Cottonport, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our 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 of misstatements in amounts that would be material in relation to the general purpose financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions*. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Town of Cottonport, Louisiana in a separate letter dated November 29, 2004.

This report is intended for the information and use of the Mayor and Members of the Council and management of the Town of Cottonport, Louisiana, federal awarding agencies, and for filing with the Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified users. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.


DUCOTE & COMPANY
Marksville, Louisiana
November 29, 2004

TOWN OF COTTONPORT, LOUISIANA
Schedule of Audit Results, Findings, and Questioned Costs
For the Year Ended June 30, 2004

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____yes	<u> x </u> no
Reportable condition(s) identified not Considered to be material weakness(es)	_____yes	<u> x </u> no
Noncompliance material to financial statements noted?	_____yes	<u> x </u> no

Federal Awards

Not applicable for the fiscal year ended June 30 2004.

Section II-Financial Statement Findings

There are no findings applicable to internal control and no findings relative to compliance.

Section III – Federal Award Findings and Questioned Costs

Not applicable for the fiscal year ended June 30, 2004.

Section IV – Summary of Current Year Audit Findings

Internal Control and Compliance Material to the Financial Statements

None

Internal Control and Compliance Material to Federal Awards

None

Management Letter Comments

ML 04-01 Finding/Comment

Petty cash disbursements are not approved by the Mayor and Council on a routine basis. Petty cash tickets are signed by the person receiving the cash and the related expense is noted on the petty cash ticket.

Recommendation

Although these disbursements are infrequent and immaterial, another employee’s signature should be required for all petty cash pay outs. Usually the department supervisor or someone in a higher position should also sign authorizing the disbursement.

Management’s response

This recommendation will be implemented.

TOWN OF COTTONPORT, LOUISIANA
Current Year Findings, Recommendations and Corrective Action Plan
For the Year Ended June 30, 2004

<u>Ref No.</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
Section I – Internal Control and Compliance Material to the Financial Statements				
None				
Section II – Internal Control and Compliance Material to Federal Awards				
None				
Section III – Management Letter Comments				
04-01	Approval of petty cash pay outs.	Dual signatures will be required on all petty cash pay outs.	Mayor Carmouche	Dec 2004

TOWN OF COTTONPORT, LOUISIANA
 Status of Prior Audit Findings
 For the Year Ended June 30, 2004

<u>Ref No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Planned Corrective Action/ Partial Corrective Action Taken</u>
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Section I – Internal Control and Compliance Material to the Financial Statements

None reported in prior year.

Section II – Internal Control and Compliance Material to Federal Awards

None reported in prior year.

Section III – Management Letter

ML 03-01	June 30, 2003	Setting a threshold for capitalization of fixed assets.	Yes	\$500 threshold adopted in Nov 2003
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