

TOWN OF COTTON VALLEY  
COTTON VALLEY, LOUISIANA  
GENERAL PURPOSE FINANCIAL STATEMENTS  
AS OF AND FOR THE EIGHTEEN MONTHS  
ENDED DECEMBER 31, 1996

JUL 30 1997

Milton E. Kelley  
Certified Public Accountant

**TOWN OF COTTON VALLEY**

**DECEMBER 31, 1996**

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**TOWN OF COTTON VALLEY**

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# Milton E. Kelley

Certified Public Accountant

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June 24, 1997

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, 1996 and for the eighteen months 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.

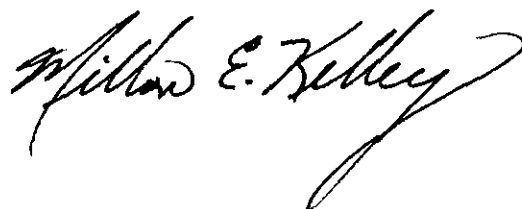
I conducted my audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, Audits of State and Local Governments. Those standards require that 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. Some budgets were adopted, however they were not complete or amended to reflect changes as conditions changed. Both of the above items are required by generally accepted accounting principles and/or state law.

In my opinion, except for the items 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, 1996, and the results of its operations and the cash flows of its proprietary fund type for the eighteen months then ended, in conformity with generally accepted accounting principles.

Honorable Jack Maynor, Mayor  
and Board of Aldermen  
Town of Cotton Valley  
June 24, 1997  
Page 2

My audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as supporting schedules in the table of contents and shown on pages 16-37 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Town of Cotton Valley. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly presented in all material respects in relation to the general purpose financial statements as a whole.

A handwritten signature in cursive script, reading "William E. Kelley". The signature is written in black ink and is positioned on the right side of the page.

**GENERAL PURPOSE FINANCIAL STATEMENTS**

TOWN OF COTTON VALLEY

COMBINED BALANCE SHEETS-ALL FUND TYPES AND ACCOUNT GROUPS

DECEMBER 31, 1996

<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	29,284	15,941	
Receivables:			
Accounts receivable (net) (Note 2)	9,993		
Due from other funds (Note 7)	7,726		
Restricted assets: (Note 3)			
Cash			
Office equipment			
Plant and equipment-utility property			
Accumulated depreciation			
Amount to be provided from:			
Ad valorem taxes			
Due from other funds (Note 7)			<u>6,632</u>
Total assets	<u>47,003</u>	<u>15,941</u>	<u>6,632</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>1996</u>
49,121			94,346
15,952			25,945
			7,726
46,699			46,699
	7,820		7,820
1,332,585			1,332,585
( 271,812)			( 271,812)
		74,000	74,000
			6,632
<u>1,172,545</u>	<u>7,820</u>	<u>74,000</u>	<u>1,323,941</u>



TOWN OF COTTON VALLEY

COMBINED BALANCE SHEETS-ALL FUND TYPES AND ACCOUNT GROUPS

DECEMBER 31, 1996

<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)	3,595		
Meter deposits			
Accrued interest payable			
Payroll taxes, penalty and interest	29,464		
Bonds payable (Note 4)			
Total liabilities	<u>33,059</u>		
<u>Fund equity:</u>			
Contributed capital			
Investment in General Fixed Assets			
Retained earnings:			
Reserved			
Unreserved			
Fund balances:			
Reserved for debt service			6,632
Unreserved (deficit)	<u>13,944</u>	<u>15,941</u>	
Total retained earnings and fund balances	<u>13,944</u>	<u>15,941</u>	<u>6,632</u>
Total fund equity	<u>13,944</u>	<u>15,941</u>	<u>6,632</u>
Total liabilities and fund equity	<u>47,003</u>	<u>15,941</u>	<u>6,632</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>1996</u>
41,451			41,451
10,763			14,358
13,430			13,430
5,329			5,329
			29,464
<u>473,639</u>		<u>74,000</u>	<u>547,639</u>
544,612		74,000	651,671
597,765			597,765
	7,820		7,820
33,113			33,113
( 2,945)			( 2,945)
			6,632
			<u>29,885</u>
<u>30,168</u>	<u>7,820</u>		<u>74,505</u>
<u>627,933</u>	<u>7,820</u>		<u>672,270</u>
<u>1,172,545</u>	<u>7,820</u>	<u>74,000</u>	<u>1,323,941</u>

TOWN OF COTTON VALLEY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES-ALL GOVERNMENTAL FUND TYPES

DECEMBER 31, 1996

	Governmental Fund Types			Total
	General	Special Revenue	Debt Service	(Memorandum Only) 1996
<u>Revenues:</u>				
Taxes	66,824	70,074	11,965	148,863
License and permits	23,859			23,859
Fines and forfeitures	4,976			4,976
Video poker	11,314			11,314
Rental income	2,425			2,425
Intergovernmental	18,019			18,019
Miscellaneous revenue	<u>1,242</u>	<u>103</u>		<u>1,345</u>
Total revenues	128,659	70,177	11,965	210,801
<u>Expenditures:</u>				
<u>Current:</u>				
General government	106,204	701		106,905
Public safety	40,245			40,245
Streets	16,519			16,519
Capital outlay	1,200			1,200
<u>Debt service:</u>				
Principal retirement			4,000	4,000
Interest and fiscal charges			<u>7,700</u>	<u>7,700</u>
Total expenditures	<u>164,168</u>	<u>701</u>	<u>11,700</u>	<u>176,569</u>
<u>Excess (deficiency) of</u>				
<u>revenues over expenditures</u>	( 35,509)	69,476	265	34,232
<u>Other financing sources (uses):</u>				
Operating transfers in	63,711			63,711
Operating transfers out	( 1,093)	( 63,711)		( 64,804)
Total other financing sources (uses)	<u>62,618</u>	<u>( 63,711)</u>		<u>( 1,093)</u>

CONTINUED

TOWN OF COTTON VALLEY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES-ALL GOVERNMENTAL FUND TYPES

DECEMBER 31, 1996

	<u>Governmental Fund Types</u>			<u>Total</u>
	<u>General</u>	<u>Special</u>	<u>Debt</u>	<u>(Memorandum Only)</u>
		<u>Revenue</u>	<u>Service</u>	<u>1996</u>
<u>Excess (deficiency) of revenues and other sources over expenditures and other uses</u>	27,109	5,765	265	33,139
<u>Fund balances-beginning</u>	( 13,165)	<u>10,176</u>	<u>6,367</u>	<u>3,378</u>
<u>Fund balances-ending (deficit)</u>	<u>13,944</u>	<u>15,941</u>	<u>6,632</u>	<u>36,517</u>

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

TOWN OF COTTON VALLEY

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN

RETAINED EARNINGS-ALL PROPRIETARY FUND TYPES FOR

THE EIGHTEEN MONTHS ENDED DECEMBER 31, 1996

	<u>Enterprise Funds</u>
<u>Operating revenues:</u>	
Charges for service	256,912
Total operating revenues	256,912
<u>Operating expenses:</u>	
General and administrative expenses	15,530
Water department expense	141,842
Sewer department expense	<u>75,951</u>
Total operating expenses	<u>233,323</u>
<u>Income from operations</u>	23,589
<u>Non-operating revenues:</u>	
Interest income	988
Transfer from General Fund	<u>1,093</u>
Total non-operating revenues	<u>2,081</u>
<u>Net income</u>	25,670
<u>Retained earnings-beginning (deficit)</u>	4,498
<u>Less: Retained earnings-reserved</u>	( 33,113)
<u>Retained earnings-ending (deficit)</u>	<u>( 2,945)</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 EIGHTEEN MONTHS

ENDED DECEMBER 31, 1996

<u>Cash flows from operating activities:</u>	
Net income	25,670
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	43,144
(Increase) decrease in:	
CDBG Grant receivable	569,481
Accounts receivable	1,800
Due from other funds	16,327
Increase (decrease) in:	
Accounts payable	3,698
Due to other funds	( 4,144)
Accrued expenses	( 8,629)
Net cash provided by operating activities	647,347
 <u>Cash flows from capital and related financing activities:</u>	
Principal paid on Revenue Bonds	( 36,522)
Fixed asset additions	(556,158)
Contributed capital	( 2,235)
Net cash provided (used) from capital and related financing activities	(594,915)
 <u>Net increase (decrease) in cash and cash equivalents</u>	52,432
 <u>Cash and cash equivalents-July 1, 1995</u>	43,388
 <u>Cash and cash equivalents-December 31, 1996</u>	95,820

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

**TOWN OF COTTON VALLEY**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 1996**

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 should follow these procedures in establishing the budgetary data; however, budgetary data was not available for the eighteen months ended December 31, 1996.

- (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 bills and collects its own property taxes. 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	65,073
Current liabilities	<u>46,780</u>
Net working capital	<u>18,293</u>

2. Ad valorem taxes

For the year ended December 31, 1996 taxes of 11.12 mills were levied on property and were dedicated as follows:

General corporate purposes	<u>7.12</u> mills
Debt service	<u>4.00</u> mills

There were taxes receivable of \$9,993 at December 31, 1996.

3. Restricted assets - Proprietary Fund Types

Restricted assets were applicable to the following at December 31, 1996:

	<u>Water and Sewer Fund</u>
Grant Funds	25,982
Bond sinking account	1,408
Bond reserve account	1,845
Depreciation and contingency	<u>3,878</u>
Total restricted assets	<u>33,113</u>

4. General long-term debt

The following is a summary of changes in general long-term debt for the year ended December 31, 1996.

	<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>16,000</u>	<u>150,492</u>	<u>166,492</u>
Bonds payable, December 31, 1996	<u>74,000</u>	<u>473,639</u>	<u>547,639</u>

General obligation bonds at December 31, 1996 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.

74,000

Revenue bonds at December 31, 1996 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%.	127,000
\$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%.	175,000
\$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.	154,000
\$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%.	8,389
\$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>9,250</u>
Total revenue bonds	<u>473,639</u>

The annual requirements to amortize general long-term debt outstanding as of December 31, 1996, including interest payments, are presented below:

<u>Year Ending December 31</u>	<u>General Obligation</u>	<u>Revenue</u>	<u>Total</u>
1997	5,700	36,676	42,376
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
Thereafter	<u>100,900</u>	<u>483,938</u>	<u>584,838</u>
Totals	<u>128,400</u>	<u>672,512</u>	<u>800,912</u>

\$6,632 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

For reporting purposes cash and cash equivalents include cash, demand deposits and certificates of deposit. Cash and cash equivalents are stated at cost, which approximates market.

According to Statement No. 3 of the Governmental Accounting Standards Board, the amount of the total bank balances must be classified in three categories of risk defined as follows:

Category 1-Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2-Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3-Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name.)

In accordance with GASB No. 3, the Town's entire bank balance is classified as Category 1.

7. Individual fund interfund receivable and payable balances

Such balances at December 31, 1996 were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Enterprise Fund		10,763
Debt Service Fund	6,632	-
General Fund	<u>7,726</u>	<u>3,595</u>
Totals	<u>14,358</u>	<u>14,358</u>

**SUPPLEMENTAL INFORMATION SCHEDULES**

**TOWN OF COTTON VALLEY**

**UTILITY FUND**

**STATEMENTS OF OPERATING EXPENSES FOR THE YEAR ENDED**

**DECEMBER 31, 1996**

	<u>Water Department</u>	<u>Sewer Department</u>	<u>General and Administrative</u>
Auto and truck expense	6,004	3,293	
Interest expense	17,014	9,332	
Miscellaneous	541	351	2,150
Payroll taxes	2,701	1,482	951
Operations-System II	21,736		
Salaries	35,288	19,355	12,429
Sales tax	6,480		
Utilities	9,107	7,956	
Water and sewer analysis and engineering fees		3,190	
Water line and tank, repairs and meters	14,056	15,710	
Depreciation	27,862	15,282	
Insurance	<u>1,053</u>	<u>          </u>	<u>          </u>
Totals	<u>141,842</u>	<u>75,951</u>	<u>15,530</u>

**TOWN OF COTTON VALLEY**

**UTILITY REVENUE BONDS PAYABLE**

**5.00% PUBLIC IMPROVEMENT**

**BONDS OF 1980 OUTSTANDING AT DECEMBER 31, 1996**

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, 1996-Bonds</u>	<u>50,000</u>
Balance outstanding at December 31, 1996	<u>175,000</u>

<u>Maturity</u>	<u>Amount of Bonds Due</u>	<u>Amount of Interest Due</u>	<u>Total Amount Due</u>
7/29/97	5,000	8,750	13,750
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, 1996

<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>175,000</u>	<u>121,900</u>	<u>296,900</u>

**TOWN OF COTTON VALLEY**

**UTILITY REVENUE BONDS PAYABLE**

**5.00% PUBLIC IMPROVEMENT**

**BONDS OF 1974 OUTSTANDING AT DECEMBER 31, 1996**

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, 1996</u>	<u>53,000</u>
Balance outstanding at December 31, 1996	<u>127,000</u>

<u>Maturity</u>	<u>Amount of Bonds Due</u>	<u>Amount of Interest Due</u>	<u>Total Amount Due</u>
1/01/98	4,000	6,350	10,350
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, 1996**

<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>127,000</u>	<u>66,100</u>	<u>193,100</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, 1996</u>	<u>516.16</u>
Balance outstanding at December 31, 1996	<u>8,389.19</u>

<u>Maturity</u>	<u>Amount of Bonds Due</u>	<u>Amount of Interest Due</u>	<u>Total Amount Due</u>
6/15/97	189.54	419.46	609.00
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>8,389.19</u>	<u>6,181.05</u>	<u>14,570.24</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

Less: Retired through December 31, 1996 976.37

Balance outstanding at December 31, 1996 9,249.39

<u>Maturity</u>	<u>Amount of Bonds Due</u>	<u>Amount of Interest Due</u>	<u>Total Amount Due</u>
06/15/97	358.53	462.47	821.00
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>9,249.39</u>	<u>4,692.42</u>	<u>13,941.81</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, 1996

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, 1996-Bonds</u>	<u>16,000</u>
Balance outstanding at December 31, 1996	<u>74,000</u>

<u>Maturity</u>	<u>Amount of Bonds Due</u>	<u>Amount of Interest Due</u>	<u>Total Amount Due</u>
7/29/97	2,000	3,700	5,700
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, 1996

<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>74,000</u>	<u>54,400</u>	<u>128,400</u>

Milton E. Kelley

Certified Public Accountant

FRED MOREAU, C.P.A., Manager

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June 24, 1997

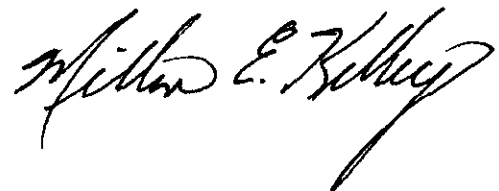
Town of Cotton Valley  
Cotton Valley, Louisiana

REPORT ON SUPPLEMENTARY SCHEDULE  
OF FEDERAL FINANCIAL ASSISTANCE

I have audited the general purpose financial statements of the Town of Cotton Valley as of December 31, 1996, and for the eighteen months then ended, and have issued my report thereon dated June 24, 1997. These general purpose financial statements are the responsibility of the Town'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 Government Auditing Standards, and OMB Circular A-128, Audits of State and Local Governments 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 general purpose financial 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. I believe that my audit provides a reasonable basis for my opinion.

My audit was made for the purpose of forming an opinion on the general purpose financial statements of the Town of Cotton Valley taken as a whole. The accompanying schedule of federal financial assistance is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.



**TOWN OF COTTON VALLEY**  
**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE**  
**FOR THE EIGHTEEN MONTHS ENDED DECEMBER 31, 1996**

<u>Federal Grantor - Program Title</u>	<u>CFDA Number</u>	<u>Expenditures 1996</u>
U.S. Department of Housing and Urban Development Pass-through from Louisiana Division of Administration Local Community Development Block Grant Small Cities Program	14.219	<u>554,559</u>

Note: November 23, 1994, the Division of Administration awarded an FY1994 LCDBG Grant in the amount of \$600,000 to the Town of Cotton Valley.

**REPORTS IN ACCORDANCE WITH**  
**GOVERNMENT AUDITING STANDARDS**

# Milton E. Kelley

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June 24, 1997

Town of Cotton Valley  
Cotton Valley, Louisiana

## REPORT ON INTERNAL CONTROL STRUCTURE 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 December 31, 1996, and for the eighteen months then ended, and have issued my report thereon dated June 24, 1997. I conducted my audit in accordance with generally accepted auditing standards and 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.

In planning and performing my audit of the general purpose financial statements of the Town of Cotton Valley as of December 31, 1996, and for the eighteen months then ended, I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

The management of the Town of Cotton Valley, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation or policies and procedures may deteriorate.

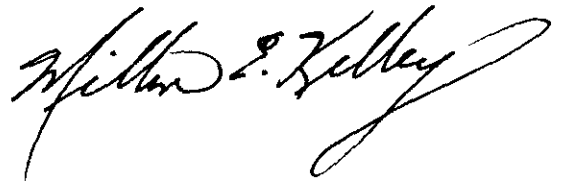
For the purpose of this report, I have classified the significant internal control structure policies and procedures in the following categories:

- Cash
- Revenues, receivables, and receipts
- Expenditures for goods and services and accounts payable
- Payroll and related liabilities
- Property, equipment, and capital expenditures
- Debt and other liabilities

For all of the internal control structure categories listed above, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that error or irregularities in amounts that would be material in relation to the general purpose 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 structure and its operation that I consider to be material weaknesses as defined above.

*This report is intended for the information of the Town of Cotton Valley. However, this report is a matter of public record and its distribution is not limited.*



# Milton E. Kelley

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June 24, 1997

Town of Cotton Valley  
Cotton Valley, Louisiana

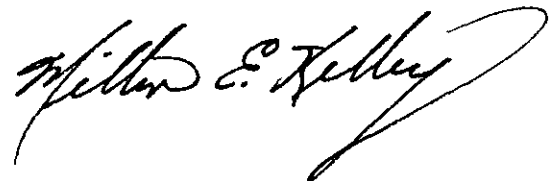
## COMPLIANCE REPORT BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

I have audited the general purpose financial statements of the Town of Cotton Valley, as of December 31, 1996, and for the eighteen months then ended, and have issued my report thereon dated June 24, 1997. I conducted my audit in accordance with generally accepted auditing standards and 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.

Compliance with laws, regulations, contracts, and grants applicable to the Town of Cotton Valley is the responsibility of management of the Town of Cotton Valley. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of the Town's compliance with certain provisions of laws, regulations, contracts, and grants. However, my objective was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

The results of my tests indicate that, with respect to the items tested, the Town of Cotton Valley complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to the items not tested, nothing came to my attention that caused me to believe that the Town had not complied, in all material respects, with those provisions.

This report is intended for the information of the Town of Cotton Valley. However, this report is a matter of public record and its distribution is not limited.





**REPORTS IN ACCORDANCE WITH**  
**OMB CIRCULAR A-128**

# Milton E. Kelley

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June 24, 1997

Town of Cotton Valley  
Cotton Valley, Louisiana

## SINGLE AUDIT REPORT ON THE INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS

I have audited the general purpose financial statements of the Town of Cotton Valley, as of December 31, 1996, and for the eighteen months then ended, and have issued my report thereon dated June 24, 1997. I have also audited the Town of Cotton Valley's compliance with requirements applicable to major federal financial assistance programs and have issued my report thereon dated June 24, 1997.

I conducted my audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget Circular A-128, Audits of State and Local Government. Those standards and OMB Circular A-128 require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement and about whether the Town of Cotton Valley complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing my audit as of December 31, 1996 and for the eighteen months then ended, I considered the Town's internal control structure in order to determine my auditing procedures for the purpose of expressing my opinions on the Town's general purpose financial statements and on its compliance with requirements applicable to major programs, and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses my consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. I have addressed policies and procedures relevant to my audit of the general purpose financial statements in a separate report dated June 24, 1997.

The management of the Town of Cotton Valley is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are

managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, I have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

Accounting Controls

- Cash
- Revenue, receivables, and receipts
- Expenditures for goods and services and accounts payable
- Payroll and related liabilities
- Property, equipment and capital expenditures
- Debt and other liabilities

Controls used in administering individual federal financial assistance programs

General requirements

- Civil rights
- Administrative requirements

Specific requirements

- Reporting
- Special requirements - Davis Bacon Act

For all of the internal control structure categories listed above, I obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and I assessed control risk.

Town of Cotton Valley  
June 24, 1997  
Page 3

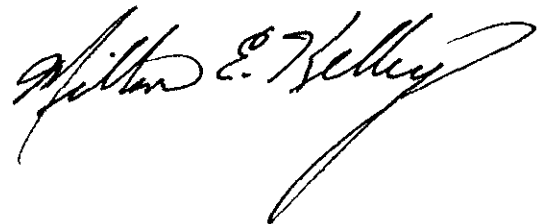
During the eighteen months ended December 31, 1996, the Town of Cotton Valley expended approximately 95% of its total federal financial assistance under one major federal financial assistance program.

I performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that I considered relevant to preventing or detecting material noncompliance with specific requirements and general requirements, to the Town's major federal financial assistance program, which is identified in the accompanying schedule of federal financial assistance. My procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, I do not express such an opinion.

My consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program 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 structure and its operations that I consider to be material weaknesses as defined above.

This report is intended for the information of the Town of Cotton Valley. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "William E. Kelley". The signature is written in a cursive style with a long, sweeping tail that extends downwards and to the right.

# Milton E. Kelley

Certified Public Accountant

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June 24, 1997

Town of Cotton Valley  
Cotton Valley, Louisiana

## SINGLE AUDIT REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS

I have audited the general purpose financial statements of the Town of Cotton Valley as of December 31, 1996, and for the eighteen months then ended, and have issued my report dated June 24, 1997.

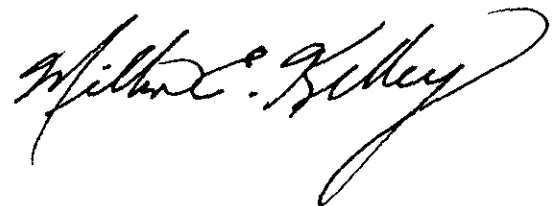
I have applied procedures to test the Town of Cotton Valley's compliance with the following requirements applicable to its federal financial assistance program, which is identified in the schedule of federal assistance, for the eighteen months ended December 31, 1996.

Civil rights  
Administrative requirements

*My procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Single Audits of State and Local Government. My procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Town's compliance with the requirements listed in the preceding paragraph. Accordingly, I do not express such an opinion.*

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed above. With respect to the items not tested, nothing came to my attention that caused me to believe that the Town of Cotton Valley had not complied, in all material respects with those requirements.

This report is intended for the information of the Town of Cotton Valley. However, this report is a matter of public record and its distribution is not limited.



# Milton E. Kelley

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June 24, 1997

Town of Cotton Valley  
Cotton Valley, Louisiana

## SINGLE AUDIT OPINION ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

I have audited the general purpose financial statements of the Town of Cotton Valley as of December 31, 1996, and for the eighteen months then ended, and have issued my report thereon dated June 24, 1997.

I have also audited the Town of Cotton Valley's compliance with the requirements identified below that are applicable to its major federal financial assistance program, which is identified in the accompanying schedule of federal financial assistance, for the eighteen months ended December 31, 1996. The management of the Town of Cotton Valley is responsible for the Town's compliance with those requirements. My responsibility is to express an opinion on compliance with those requirements based on my audit.

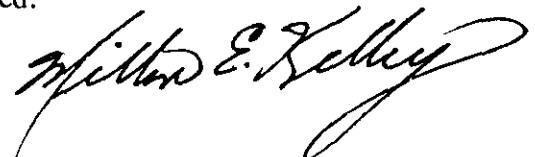
I have identified the following specific requirements relating to the major program of the Town of Cotton Valley:

Reporting  
Special requirements - Davis Bacon Act

I conducted my audit of compliance with these requirements in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the Town of Cotton Valley complied, in all material respects, with the specific requirements listed previously that are applicable to its major federal financial assistance program for the eighteen months ended December 31, 1996.

This report is intended for the information of the Town of Cotton Valley. However, this report is a matter of public record and its distribution is not limited.



**TOWN OF COTTON VALLEY**  
**COTTON VALLEY, LOUISIANA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE EIGHTEEN MONTHS ENDED**  
**DECEMBER 31, 1996**

There are no compliance findings or questioned costs in this audit for the year ended December 31, 1996.