

Town of Cotton Valley
Cotton Valley, Louisiana

Annual Financial Statements
For the Year Ended December 31, 2018

Town of Cotton Valley
Annual Financial Statements
For the Year Ended December 31, 2018

CONTENTS

	Statement	Page
Required Supplemental Information (Part I)		
Management's Discussion and Analysis		1
Independent Auditor's Report		6
<u>Basic Financial Statements</u>		
Government-Wide Financial Statements:		
Statement of Net Position	A	8
Statement of Activities	B	9
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C	10
Reconciliation of the Government Funds Balance Sheet to The Government-Wide Financial Statement of Net Position	D	11
Statement of Revenues, Expenditures, and Changes in Fund Balances	E	12
Reconciliation of the Statement of Revenues, Expenditures, And Changes in Fund Balances of Governmental Funds to the Statement of Activities	F	13
Proprietary Funds:		
Statement of Net Position	G	14
Statement of Revenues, Expenses, and Changes in Net Position	H	15
Statement of Cash Flows	I	16
Notes to the Financial Statements		17

Table of Contents (Contd.)
Town of Cotton Valley, Louisiana

	Schedule	Page
Required Supplemental Information		
Budget Comparison Schedules		
General Fund	1	29
Sales Tax Fund	2	30
Notes to the Required Supplemental Information		31
<u>Other Supplemental Schedules</u>		
Schedule of Compensation Paid Elected Officials	3	33
Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer	4	34
<u>Other Reports</u>		
Report on Compliance and Other Matters and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		36
Current Year Findings and Recommendations	5	38
<u>Other Information</u>		
Status of Prior Audit Findings	6	42
Management's Corrective Action Plan		43
Statewide Agreed Upon Procedures		44
Agency Response to Statewide Agreed Upon Procedures		55

Town of Cotton Valley, Louisiana
Management Discussion and Analysis
December 31, 2018

The management of the Town of Cotton Valley, Louisiana offers readers of the Town of Cotton Valley, Louisiana's (Town) financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2018. This management discussion and analysis ("MD&A") is designed to provide an objective analysis of the Town's financial activities based on currently known facts, decisions, and conditions. It is intended to provide readers with a broad overview of Town finances. It is also intended to provide readers with an analysis of the Town's short-term and long-term activities based on information presented in the financial report and fiscal policies that have been adopted by the Town. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Town's financial activity, identify changes in the Town's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of the government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information, which is in addition to the basic financial statements themselves.

Government-Wide Financial Statements

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which governmental financial statements are presented. It now provides readers with a concise "entity-wide" Statement of Net Position and Statement of Activities, which seek to give the user of the financial statements a broad overview of the Town's financial position and results of operations in a manner similar to private sector businesses.

The statement of net position presents information on all of the Town's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The difference between the two is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or weakening.

The statement of activities presents information which shows how the government's net position changed during this fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected taxes).

Each of these reports is broken down between governmental activities and business-type activities. Governmental activities normally are those activities that are supported by taxes, licenses, permits, fines, and intergovernmental revenues; for example, the police department. Business-type activities are functions that are intended to support their costs through charges for services or fees; such as the Water and Sewer Departments.

Town of Cotton Valley, Louisiana
Management Discussion and Analysis
December 31, 2018

Government-wide Financial Analysis

As noted earlier, net position may, over time, serve as a useful indicator of a government's financial position. At the close of the most recent fiscal year, the Town's assets exceeded its liabilities by \$2,647,127 (net position); this represents an increase of \$86,898 from the last fiscal year. Of this total net asset amount, \$251,147 is unrestricted net position. The Town's net position is comprised of \$60,114 from governmental activities and \$2,587,013 from business-type activities.

The following is a condensed statement of the Town of Cotton Valley's net position as of December 31, 2018:

	Governmental-Type Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current & Other Assets	\$43,448	\$44,812	\$145,686	\$58,890	\$189,134	\$103,702
Capital Assets (net)	<u>88,515</u>	<u>52,190</u>	<u>3,082,639</u>	<u>3,022,138</u>	<u>3,171,154</u>	<u>3,074,328</u>
Total Assets	<u>\$131,963</u>	<u>\$97,002</u>	<u>\$3,228,325</u>	<u>\$3,081,028</u>	<u>\$3,360,288</u>	<u>\$3,178,030</u>
Liabilities						
Other Liabilities	\$33,124	\$18,214	\$170,132	\$106,374	\$203,256	\$124,588
Long-term Liabilities	<u>0</u>	<u>0</u>	<u>471,180</u>	<u>493,213</u>	<u>471,180</u>	<u>493,213</u>
Total Liabilities	<u>33,124</u>	<u>18,214</u>	<u>641,312</u>	<u>599,587</u>	<u>674,436</u>	<u>617,801</u>
Deferred inflows of resources	38,725					
Net Position						
Invested in capital assets, net	88,515	52,190	2,590,693	2,501,301	2,679,208	2,553,491
Contributed capital			204,015		204,015	0
Restricted	838	7,167	14,213	14,155	15,051	21,322
Unrestricted	<u>(29,239)</u>	<u>19,431</u>	<u>(221,908)</u>	<u>(34,015)</u>	<u>(251,147)</u>	<u>(14,584)</u>
Total Net Position	<u>\$60,114</u>	<u>\$78,788</u>	<u>\$2,587,013</u>	<u>\$2,481,441</u>	<u>\$2,647,127</u>	<u>\$2,560,229</u>

By far the largest portion of the Town's net position \$2,679,208 reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, town infrastructure, etc.) less any related debt used to acquire those assets still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

The Town has accumulated \$9,455 and \$14,212 restricted for customer deposits and debt service, respectively.

The balance of (\$251,147) is unrestricted net position, which may be used to meet the government's on-going obligations to citizens and creditors.

The Town has total outstanding debt of \$674,436, which was used to finance some of the \$3,171,154 capital assets. Total liabilities of \$674,436 are equal to 25% of the total net position.

Town of Cotton Valley, Louisiana
Management Discussion and Analysis
December 31, 2018

The following is a summary of the statement of activities:

	Governmental-Type Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenue						
Program Revenue	\$78,084	\$38,415	\$533,474	\$255,618	\$611,558	\$294,033
General Revenue & Transfers	196,264	232,551	(23,300)	(56,611)	172,964	175,940
Total Revenue	<u>274,348</u>	<u>270,966</u>	<u>510,174</u>	<u>199,007</u>	<u>784,522</u>	<u>469,973</u>
Expenses						
General & Administrative	196,171	148,376			196,171	148,376
Public Safety	91,570	92,974			91,570	92,974
Other	5,281	8,381			5,281	8,381
Water & Sewer Utilities			641,342	407,825	641,342	407,825
Total Expenses	<u>293,022</u>	<u>249,731</u>	<u>641,342</u>	<u>407,825</u>	<u>934,364</u>	<u>657,556</u>
Increase (Decrease) in Net Position	(18,674)	21,235	(131,168)	(208,818)	(149,842)	(187,583)
Net Position, beginning	78,788	57,553	2,481,441	2,690,259	2,560,229	2,747,812
Capital contributions			204,015		204,015	0
Prior period adjustment	0	0	32,725	0	32,725	0
Net Position, ending	<u>\$60,114</u>	<u>\$78,788</u>	<u>\$2,587,013</u>	<u>\$2,481,441</u>	<u>\$2,647,127</u>	<u>\$2,560,229</u>

Governmental Activities

The governmental activities of the Town include General Government and Public Safety. In that revenues normally associated with municipal operations, (e.g. property tax, franchise fees, license fees, fines, and operating grants) are sufficient for the funding of these activities.

Business-type Activities

The business-type activities of the Town are those that charge a fee to customers for the services provided. The Town has two business-type activities, which are accounted for in enterprise funds. The Town uses enterprise funds to account for the revenues and expenses related to the provision of water and sewer services.

The following is a summary of the business-type activities of the Town:

	Operating Revenues Net of Purchases
Year ended 12/31/17	255,618
Year ended 12/31/18	<u>329,459</u>
Increase (decrease) between years	<u>73,841</u>

Town of Cotton Valley, Louisiana
Management Discussion and Analysis
December 31, 2018

	<u>Operating Expenses</u>
Year ended 12/31/17	386,467
Year ended 12/31/18	<u>620,437</u>
Increase (decrease) between years	<u>233,970</u>
	<u>Net Income (Loss) From Operations</u>
Year ended 12/31/17	(130,849)
Year ended 12/31/18	<u>(290,978)</u>
Increase (decrease) between years	<u>(160,129)</u>

Fund Financial Statements - Governmental Funds

The fund financial statements provide more detailed information about the Town's most significant funds - not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for a particular purpose.

The Town currently maintains two individual governmental fund type. The fund type includes the General fund and the Sales tax fund. Information is presented separately in the Governmental Funds Balance Sheet (Statement C) and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances (Statements E) for the General Fund and the Sales tax fund. The General Fund is considered to be a major fund.

The Town adopts an annual budget for the General Fund and the Special Revenue fund. A statement of revenues, expenditures, and changes in fund balance is presented in the Required Supplemental Information Schedules 1 and 2, which compares actual revenues and expenditures to the original budget and amended budget figures.

Financial Analysis of the Town's Governmental Funds

The Town of Cotton Valley's governmental fund (General Fund) reported an ending fund balance (deficit) of (\$29,239), which is a decrease of \$48,670 from prior year. The entire ending fund balance (deficit) of (\$29,239) is unreserved.

Fund Financial Statements - Proprietary Funds

The Town maintains two proprietary funds. Proprietary funds are used to report the same functions as business-type activities. The Town uses enterprise funds (the first type of proprietary fund) to account for its Water and Sewer Operations. These enterprise funds report the same functions presented as business-type activities in the government-wide financial statements.

Town of Cotton Valley, Louisiana
Management Discussion and Analysis
December 31, 2018

Financial Analysis of the Town's Proprietary Fund

The Town's proprietary funds show an increase in ending retained earnings of \$105,572. The 2018 operating income (loss) of the Utility fund of (\$290,978) represents an increase in revenue of \$73,841 and an increase in expenses of \$233,970 from 2017 figures.

Financial statements of enterprise funds are presented on the same basis of accounting as in both the governmental-wide financial statements and the individual fund statements. All comments and analysis made under business-type activities apply to these funds.

General Fund Budgetary Highlights

The Town adopted an original budget for the General Fund and the Sales Tax fund but did not amend them during the year. For the General fund actual expenditures and other uses exceeded budgeted expenditures and other uses by \$75,192 or 31%. For the Sales tax fund actual expenditures and other uses exceeded budgeted expenditures and other uses by \$6,548 or 9%.

Capital Asset and Debt Administration

The total investment in net capital assets as of December 31, 2018 is \$2,679,208.

There were several major capital assets purchased or constructed in fiscal 2018 for governmental activities for \$41,560 or business type activities, for the continuation of a sewer line improvement for \$204,015.

Current Financial Factors

The Town is trying to get its policies and procedures back in place with the current administration.

Requests for Information

This financial report is designed to provide a general overview of the Town of Cotton Valley's finances for all with an interest in the government's operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Town Clerk, 478 Resident St, Cotton Valley, Louisiana 71018.

WADE & PERRY
Certified Public Accountants
A Professional Accounting Corporation
Members: AICPA/ Society of LCPA's

Independent Auditor's Report

Mayor and Board of Aldermen
Town of Cotton Valley
Cotton Valley, LA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of the Town of Cotton Valley ("Town"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of December 31, 2018, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The schedule of compensation paid to elected officials, the schedule of compensation, benefits and other payments to agency head, and schedule of insurance are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the management's discussion and analysis and budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 16, 2020, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Wade S. Perry

Ruston, Louisiana
January 16, 2020

Town of Cotton Valley, Louisiana
Statement of Net Position
As of December 31, 2018

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS			
Cash and equivalents	\$14,228	\$59	\$14,287
Receivables	64,130	87,050	151,180
Internal balances	(34,910)	34,910	0
Restricted assets		23,667	23,667
Other assets			0
Capital assets (net)	88,515	3,082,639	3,171,154
TOTAL ASSETS	<u>\$131,963</u>	<u>\$3,228,325</u>	<u>\$3,360,288</u>
Deferred outflows of resources	0	0	0
LIABILITIES			
Cash overdraft		\$6,724	\$6,724
Accounts, salaries, and other payables	33,124	116,126	149,250
Current loans, bonds, and interest payable		22,276	22,276
Liabilities payable from restricted assets		25,006	25,006
Loans and bonds payable		471,180	471,180
TOTAL LIABILITIES	<u>33,124</u>	<u>641,312</u>	<u>674,436</u>
Deferred inflows of resources	38,725	0	0
NET POSITION			
Invested in capital assets, net of related debt	88,515	2,590,693	2,679,208
Contributed capital		204,015	204,015
Restricted for debt		14,213	14,213
Restricted for public works	838		838
Unrestricted	(29,239)	(221,908)	(251,147)
TOTAL NET POSITION	<u>\$60,114</u>	<u>\$2,587,013</u>	<u>\$2,647,127</u>

The accompanying notes are an integral part of this statement.

Town of Cotton Valley, Louisiana
Statement of Activities
Year Ended December 31, 2018

	Program Revenues			Net (Expenses) Revenues and Changes of Primary Government		
	Charges for	Operating	Capital	Governmental	Business-type	
Expenses	Services	Grants and	Grants &	Activities	Activities	Total
		Contributions	Contributions			
Governmental Activities:						
General government	\$196,171			(\$196,171)		(\$196,171)
Public safety	91,570	\$78,084		(13,486)		(13,486)
Highway & streets	46			(46)		(46)
Depreciation	5,235			(5,235)		(5,235)
Total governmental activities	293,022	78,084	0	(214,938)	0	(214,938)
Business-type activities:						
Water and sewer	641,342	329,459	204,015		(107,868)	(107,868)
Total business-type activities	641,342	329,459	204,015	0	(107,868)	(107,868)
Total primary government	\$934,364	\$407,543	\$0	(\$214,938)	(\$107,868)	(\$322,806)
General revenues:						
Ad valorem taxes				\$16,155		\$16,155
Sales taxes				72,218		72,218
Franchise fees				31,610		31,610
Licenses and permits				4,539		4,539
Intergovernmental				34,990		34,990
Investment earnings				101	13	114
Gain on sale of assets				750		750
Other general revenues				12,588		12,588
Transfers - net				23,313	(23,313)	0
Total general revenues and transfers				196,264	(23,300)	172,964
Change in Net Position				(18,674)	(131,168)	(149,842)
Net Position - beginning				78,788	2,481,441	2,560,229
Capital contributions					204,015	204,015
Prior period adjustment				0	32,725	32,725
Net Position - ending				\$60,114	\$2,587,013	\$2,647,127

The accompanying notes are an integral part of this statement.

Town of Cotton Valley, Louisiana
 Balance Sheet, Governmental Funds
 December 31, 2018

	General Fund	Sales Tax Fund	Total Governmental Funds
ASSETS			
Cash and cash investments	\$11,776	\$2,452	\$14,228
Receivable	64,130		64,130
Interfunds	1,614		1,614
Other assets			0
TOTAL ASSETS	<u>\$77,520</u>	<u>\$2,452</u>	<u>\$79,972</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Cash overdraft	\$0		\$0
Accounts, salaries, and other payables	33,124		33,124
Interfunds	34,910	1,614	36,524
Total liabilities	<u>68,034</u>	<u>1,614</u>	<u>69,648</u>
Deferred inflows of resources	38,725		38,725
Fund balances:			
Restricted for public works		838	838
Unassigned	<u>(29,239)</u>		<u>(29,239)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$77,520</u>	<u>\$2,452</u>	<u>\$79,972</u>

The accompanying notes are an integral part of this statement.

Town of Cotton Valley, Louisiana
Reconciliation of The Governmental Funds Balance Sheet
to The Government-Wide Financial Statement of Net Position
December 31, 2018

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund balances, Total governmental funds (Statement C)		(\$28,401)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Governmental capital assets	\$244,356	
Less accumulated depreciation	<u>(155,841)</u>	<u>88,515</u>
Net Position of Governmental Activities (Statement A)		<u><u>\$60,114</u></u>

The accompanying notes are an integral part of this statement.

Town of Cotton Valley, Louisiana
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
For the Year Ended December 31, 2018

	General Fund	Sales Tax Fund	Total Governmental Funds
REVENUES			
Taxes:			
Ad valorem	\$16,155		\$16,155
Sales and use		\$72,218	72,218
Franchise fees	31,610		31,610
Licenses and permits	4,539		4,539
Intergovernmental revenues:			
Local	7,115		7,115
State grants	27,875		27,875
Fines and forfeitures	78,084		78,084
Use of money and interest earnings	100	1	101
Other revenues	<u>12,588</u>		<u>12,588</u>
Total Revenues	<u>178,066</u>	<u>72,219</u>	<u>250,285</u>
EXPENDITURES			
General government	196,171		196,171
Public safety	91,570		91,570
Highway & streets		46	46
Capital outlay	<u>41,560</u>		<u>41,560</u>
Total Expenditures	<u>329,301</u>	<u>46</u>	<u>329,347</u>
Excess (Deficiency) of Revenues over (under) Expenditures	(151,235)	72,173	(79,062)
OTHER FINANCING SOURCES (USES)			
Sale of assets	750		750
Operating transfers in	101,815		101,815
Operating transfers out		(78,502)	(78,502)
Total Other Financing Sources (Uses)	<u>102,565</u>	<u>(78,502)</u>	<u>24,063</u>
Net Change in Fund Balance	(48,670)	(6,329)	(54,999)
Fund Balance – beginning	19,431	7,167	26,598
Prior period adjustment	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance – ending	<u><u>(\$29,239)</u></u>	<u><u>\$838</u></u>	<u><u>(\$28,401)</u></u>

The accompanying notes are an integral part of this statement.

Town of Cotton Valley
 Reconciliation of The Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended December 31, 2018

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances, Total governmental funds (Statement E)	(\$54,999)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$41,560) exceeded depreciation (\$5,235) in the current period.	36,325
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The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources.	0
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	<u>0</u>
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Change in Net Position of Governmental Activities, Statement B	<u><u>(\$18,674)</u></u>
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The accompanying notes are an integral part of this statement.

Town of Cotton Valley, Louisiana
Statement of Net Position, Proprietary Funds
December 31, 2018

		Business-Type Activities - Enterprise Funds	
		(Memo only)	
	Utility fund	CDBG fund	2018 2017
ASSETS			
Current assets:			
Cash and equivalents	\$59	\$0	\$59 \$8,364
Receivables	87,050		87,050 27,820
Interfunds	34,910		34,910 2,700
Total current assets	122,019	0	122,019 38,884
Restricted assets:			
Cash and equivalents	23,667		23,667 20,006
Non-current assets:			
Capital assets (net of accumulated depreciation)	3,082,639		3,082,639 3,022,138
Total Non-current assets	3,082,639	0	3,082,639 3,022,138
TOTAL ASSETS	\$3,228,325	\$0	\$3,228,325 \$3,081,028
LIABILITIES			
Current Liabilities:			
Cash overdraft	\$6,724		\$6,724 \$0
Accounts, salaries, and other payables	116,126		116,126 21,488
Accrued interest	1,510		1,510 1,089
Capital lease, current	0		0 6,662
Revenue bonds, current	20,766		20,766 20,962
Total current liabilities	145,126	0	145,126 50,201
Current liabilities payable from restricted assets	25,006		25,006 56,173
Non-current liabilities:			
Loans and bonds payable	471,180		471,180 493,213
Total non-current liabilities	471,180	0	471,180 493,213
Total liabilities	641,312	0	641,312 599,587
NET POSITION			
Net investment in capital assets	2,590,693		2,590,693 2,501,301
Contributed capital	204,015		204,015 0
Restricted for debt service	14,213		14,213 14,155
Unrestricted	(221,908)	0	(221,908) (34,015)
TOTAL NET POSITION	\$2,587,013	\$0	\$2,587,013 \$2,481,441

The accompanying notes are an integral part of this statement.

Town of Cotton Valley, Louisiana
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2018

	Business-Type Activities - Enterprise Funds		
	Utility Fund	CDBG Fund	(Memo only Total) 2017
Operating Revenues			
Charges for services:			
Water and sewer sales	\$329,309		\$329,309
Other services	150		150
Total Operating Revenues	329,459	0	329,459
Operating Expenses			
Salaries	79,689		79,689
Insurance	16,578		16,578
Truck expense	17,066		17,066
Maintenance and repairs	2,381		2,381
Miscellaneous expenses	13,251		13,251
Contract labor	28,123		28,123
Office expense	22,749		22,749
Materials and supplies	1,991		1,991
Utilities	44,099		44,099
Trash pickup services	46,981		46,981
Construction expenses		\$204,015	204,015
Depreciation	143,514		143,514
Total Operating Expenses	416,422	204,015	620,437
Operating income (loss)	(86,963)	(204,015)	(290,978)
Nonoperating revenue (expenses)			
Sale of assets			0
Interest earnings	13		13
Interest expense	(20,905)		(20,905)
Total Nonoperating Revenue (Expenses)	(20,892)	0	(20,892)
Income before contributions and transfers	(107,855)	(204,015)	(311,870)
LCDBG grant		204,015	204,015
Transfers in	69,502		69,502
Transfers out	(92,815)		(92,815)
Change in Net Position	(131,168)	0	(131,168)
Total Net Position - Beginning	2,481,441	0	2,481,441
Capital contributions	204,015	0	204,015
Prior period adjustment	32,725	0	32,725
Total Net Position - Ending	\$2,587,013	\$0	\$2,587,013

The accompanying notes are an integral part of this statement.

Town of Cotton Valley, Louisiana
Statement of Cash Flows, Proprietary Funds
For the Year Ended December 31, 2018

	2018	2017
Cash Flows from Operating Activities		
Receipts from customers and users	\$239,579	\$258,600
Receipts from other funds	0	0
Payments to suppliers	(302,598)	(127,457)
Payments to employees	(79,689)	(92,545)
Payments to other funds	0	0
Net Cash Provided by Operating Activities	<u>(142,708)</u>	<u>38,598</u>
Cash Flows from Noncapital Financing Activities		
Transfer to other funds	(92,815)	(59,350)
Advances from other funds	69,502	
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(23,313)</u>	<u>(59,350)</u>
Cash Flows from Capital and Related Financing Activities		
Purchases of capital assets	(204,015)	0
CDBG grant	204,015	
Capital contributions	204,015	0
Principal paid on capital debt	(28,892)	(27,291)
Interest paid on capital debt	(20,483)	(21,360)
Gain on sale of asset	0	2,700
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>154,640</u>	<u>(45,951)</u>
Cash Flows from Investing Activities		
Interest and dividends received	13	39
Net Cash Provided by Investing Activities	<u>13</u>	<u>39</u>
Net Increase in Cash and equivalents	(11,368)	(66,664)
Cash and equivalents, Beginning of Year	28,370	95,034
Cash and equivalents, End of Year	<u>\$17,002</u>	<u>\$28,370</u>
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities		
Operating income	(\$290,978)	(\$130,849)
Depreciation expense	143,514	145,441
(Increase) decrease in accounts receivable	(59,230)	(261)
(Increase) decrease in prepaid expenses	0	0
(Increase) decrease in due from other funds	(32,210)	(2,700)
Increase (decrease) in customer deposits	1,558	5,944
Increase (decrease) in accounts payable	94,638	21,023
Increase (decrease) in due to other funds	0	0
Net Cash Provided by Operating Activities	<u>(\$142,708)</u>	<u>\$38,598</u>
Reconciliation of total cash and cash investments:		
Current assets - cash and cash investments	(\$6,665)	\$8,364
Restricted assets - cash and cash investments	23,667	20,006
Total cash and cash investments	<u>\$17,002</u>	<u>\$28,370</u>

The accompanying notes are an integral part of this statement.

Town of Cotton Valley, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2018

INTRODUCTION

The Town was incorporated under the provisions of Lawrason Act. The Town operates under a Mayor-Council form of government.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Cotton Valley (Town)'s financial statements are prepared in conformity generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP and used the Town are discussed below.

A. Reporting Entity

As the municipal governing authority, for reporting purposes, the Town is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (Town), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the 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.

GASB establishes criteria for determining which component units should be considered part of the Town for financial reporting purposes. The basic criteria 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.*

In addition, the GASB states that a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if *all* of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

In addition, other organizations should be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government.

Based on the criteria described above, there are no component units to be included as part of the reporting entity.

Town of Cotton Valley, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2018

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental fund and proprietary funds. 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 fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund 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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

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

The Sales Tax Fund is the Town's special revenues fund. It accounts for the proceeds of sales taxes levied for operations of the police department and maintenance of streets, and operations of street lights.

Town of Cotton Valley, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2018

The Town reports the following major proprietary funds:

The Water and Sewer fund is to account for the provision of water and sewer services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, but not limited to, administration, operations, maintenance, financing, and related debt service and billing.

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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the governments enterprise operations. Elimination of those charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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. Principal operating revenues of the proprietary funds include water and sewer services to the residents of the Town. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating 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.

D. 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 back securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. Investments for the Town are reported at fair value.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Town of Cotton Valley, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2018

All trade and property tax receivables are shown net of an allowance for uncollectives. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis.

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The following is a summary of authorized and levied ad valorem taxes:

<u>Taxes due for:</u>	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
General fund	7.25	7.25	Statutory

Sales Taxes. The Town's sales tax percentage is 1% may only be used for the operations 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.

E. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide financial statements.

F. Restricted Assets

Restricted assets include cash and cash investments in the Proprietary funds which are restricted to their use. These restrictions are principally related to requirements of bond issues and utility meter deposits. It is the Town's policy to use restricted assets before unrestricted assets for their intended purposes.

G. Capital assets

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 \$1,000 or more for capitalizing capital assets.

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

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

<u>Description</u>	<u>Estimated Lives</u>
Water and sewer system and lines	40 years
Buildings and improvements	5-50 years
Vehicles	3 years
Equipment	3-10 years

H. Compensated Absences

The Town allows up to two weeks vacation based upon years of service. No carryover or accrued vacation leave is allowed. Unused vacation time will be applied upon termination. In addition, unused accumulated sick pay will not be paid upon separation of service.

Town of Cotton Valley, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2018

I. Long-Term Obligations

In the government-wide financial statements, and the 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 position. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charge and amortized over the term of related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses, issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Comparative Data/Reclassifications

Comparative total data for the prior year have been presented only for enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

K. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from the estimates.

L. RISK MANAGEMENT

The town is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. To handle such risk of loss, the town maintains commercial insurance policies covering its vehicles, professional liability and surety bond coverage. No claims were paid on any of the policies which exceeded to policies' coverage amounts. There were no significant reductions in insurance coverage during the year ended December 31, 2018.

M. FUND BALANCE/FUND EQUITY

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - amounts that are not in spendable form (such as prepaids) or are required to be maintained intact.

Restricted - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed - amounts constrained to specific purpose by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint.

Assigned - amounts the government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned - amounts that are available for any purpose; positive amounts are reported only in the general fund.

Town of Cotton Valley, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2018

The governing body establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balances is established by the governing body through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

Fund Equity

In the government wide statements, net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be placed on the use, either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

Proprietary fund equity is classified in the same manner as in the government-wide statements. In the fund financial statements, governmental fund equity is classified as fund balance.

N. Bad Debts

The Town uses the direct charge-off method of accounting for uncollectible ad valorem taxes and water system receivables. Although the method is not in accordance with generally accepted accounting principles, the overall effect on the financial statements is immaterial.

O. Postretirement Benefits

The Town provides no postretirement benefits to its employees.

P. Deferred Outflows/inflows of Resources

In some instances, the GASB requires a government to delay recognition of decreases in net position as expenditures until a future period. In other instances, governments are required to delay recognition of increases in net position as revenues until a future period. In these circumstances, deferred outflows of resources and deferred inflows of resources result from the delayed recognition of expenditures or revenues, respectively.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGET INFORMATION The Town uses the following budget practices:

During the November or December meeting, the Mayor and Town Council prepare a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and expenses and the means of financing them. During the December meeting, the budget is legally enacted through passage of an ordinance. The public is invited to attend all meetings. The Town clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures or expenses of any fund must be approved by the board of aldermen. Appropriations lapse at the end of the year. The budgets are adopted on the cash basis. There was no budget amendment provided by management for the year ended December 31, 2018.

Town of Cotton Valley, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2018

3. CASH AND CASH EQUIVALENTS

At December 31, 2018, the Town has cash and cash equivalents (book balances) totaling \$31,230 as follows:

Demand deposits	\$31,230
Time deposits	<u>0</u>
Total	<u><u>\$31,230</u></u>

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

At December 31, 2018, the Town has \$45,800 in deposits (collected bank balances). These deposits are secured from risk by \$45,800 of federal deposit insurance and \$0 of pledged securities held by the custodial bank in the name of the fiscal agent bank. (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, R.S. 39:1229 imposes a statutory requirement 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.

4. RECEIVABLES

The receivables of \$141,042 at December 31, 2018, are as follows:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Sales and use taxes		\$0		\$0
Franchise fees	\$11,041			11,041
Ad valorem taxes	14,364			14,364
Licenses and permits	38,725			38,725
Accounts			\$23,914	23,914
Grants			52,998	52,998
Total	<u><u>\$64,130</u></u>	<u><u>\$0</u></u>	<u><u>\$76,912</u></u>	<u><u>\$141,042</u></u>

5. RESTRICTED ASSETS - Proprietary Fund Type

Customer deposits	\$9,455
Bond and interest sinking fund	5,909
Bond reserve fund	1,067
Contingency fund	<u>7,236</u>
Total	<u><u>\$23,667</u></u>

Town of Cotton Valley, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2018

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

<u>Fund</u>	<u>Due from</u>	<u>Due to</u>
General fund	\$1,614	\$34,910
Sales tax fund		1,614
Utility fund	34,910	
Total	<u>\$36,524</u>	<u>\$36,524</u>

7. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Adjustment</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$27,250				\$27,250
Construction in progress	0		\$27,875		27,875
Total capital assets not being depreciated	<u>27,250</u>	<u>0</u>	<u>27,875</u>	<u>0</u>	<u>55,125</u>
Buildings	122,824				122,824
Improvements other than buildings	0		6,185		6,185
Machinery and equipment	27,022		3,500		30,522
Vehicles	25,700		4,000		29,700
Total capital assets being depreciated	<u>175,546</u>	<u>0</u>	<u>13,685</u>	<u>0</u>	<u>189,231</u>
Accumulated depreciation	<u>150,606</u>		<u>\$5,235</u>		<u>155,841</u>
Total capital assets being depreciated, net	<u>\$52,190</u>	<u>\$0</u>	<u>\$36,325</u>	<u>\$0</u>	<u>\$88,515</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$16,000				\$16,000
Construction in progress	0				0
Total capital assets not being depreciated	<u>16,000</u>	<u>0</u>	<u>0</u>		<u>16,000</u>
Capital assets being depreciated:					
Distribution system	5,053,108				5,053,108
Improvements other than buildings	0	\$204,015			204,015
Equipment	74,047				74,047
Vehicles	4,500		(\$4,500)		0
Total capital assets being depreciated	<u>5,131,655</u>	<u>204,015</u>	<u>(4,500)</u>		<u>5,331,170</u>
Less accumulated depreciation	<u>2,125,517</u>	<u>143,514</u>	<u>(4,500)</u>		<u>2,264,531</u>
Total business-type assets being depreciated, net	<u>\$3,006,138</u>	<u>\$60,501</u>	<u>\$0</u>		<u>\$3,082,639</u>

Town of Cotton Valley, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2018

Depreciation expense was charged to governmental and business-type activities as follows:

	Governmental	Business- type	Total
Public safety	\$1,545		\$1,545
General government	3,690		3,690
Water and sewer		\$143,514	143,514
Total	<u>\$5,235</u>	<u>\$143,514</u>	<u>\$143,514</u>

8. LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-type activities:					
Sewer revenue bonds	\$32,000		(\$10,000)	\$22,000	\$10,000
Water revenue bonds	1,650		(1,650)	0	
Water and sewer bonds	480,526		(10,580)	469,946	10,766
Equipment capital lease	6,662		(6,662)	0	
Total business-type activities	<u>\$520,838</u>	<u>\$0</u>	<u>(\$28,892)</u>	<u>\$491,946</u>	<u>\$20,766</u>

Business-type activities:

\$190,000 Sewer Revenue Bonds (Series A #92-02) and \$35,000 Sewer Revenue Bonds (Series #92-05) dated 7/29/80; due in annual payments of \$3,000 to \$11,000 with the first payment (July 1982) being for interest only, and thereafter the payments shall be equal in amount and consist of fully amortized installments of principal and interest, interest at 5%.

\$22,000

\$586,000 Water and Sewer Revenue Bonds dated August 12, 2003; due in 480 monthly installments beginning October, 2007 of \$2,567 which includes principal and interest; interest rate at 4.25%; final payment in 2044.

469,946

Total business-type activities

\$491,946

The Water and Sewer Revenue Bonds constitute special obligations of the Town solely secured by a lien on and pledge of the net revenues of the water and sewer system.

The annual requirements to amortize all loans outstanding at December 31, 2018, are as follows:

<u>Year Ending December 31,</u>	Principal Payments	Interest Payments	Total
2019	\$20,766	\$20,546	\$41,312
2020	23,212	19,547	42,759
2021	11,719	18,773	30,492
2022	12,227	18,265	30,492
2023 and thereafter	424,022	217,211	641,233
Total	<u>\$491,946</u>	<u>\$294,342</u>	<u>\$786,288</u>

Town of Cotton Valley, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2018

The Town entered into a Municipal Lease-Purchase Agreement for financing equipment. The gross amount of assets recorded under this capital lease was \$29,800, the related accumulated depreciation was \$16,835 and the net book value was \$12,965 at December 31, 2018. The lease agreement qualifies as a capital lease for accounting purposes, and therefore has been recorded at the present value of their future minimum lease payments as of the inception date. The lease was dated October 28, 2013, for \$29,800, and is due in monthly installments of \$642 through November, 2018.

9. ON BEHALF PAYMENTS FOR SALARIES

The Town recognizes as general fund revenues and expenses supplemental pay made by the State of Louisiana to the Town's police employees. For the year ended December 31, 2018, the town's police chief and officers received \$6,000 in police supplemental pay from the State of Louisiana, Department of Public Safety and Corrections.

10. CONTINGENT LIABILITIES

The Town is not involved in any litigation at December 31, 2018, nor is it aware of any unasserted claims.

11. LEASES

The Town leases equipment under operating leases. The rental cost on the equipment paid during the year ended December 31, 2018 was \$4,510. Commitment under lease agreement having initial or remaining non-cancelable terms, except for a non-appropriation clause, in excess of one year are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$3,727
2020	3,727
2021	3,727
2022	3,729
Total	<u>\$14,910</u>

12. RELATED PARTY TRANSACTIONS

The Town has related party transactions with one of the aldermen's brother to care for the water system for total of \$26,058.

13. PRIOR PERIOD ADJUSTMENT

The Government-wide financial statements include prior period adjustments increasing net assets of business-type activities by \$32,725. This is an adjustments for prior year's customer deposit balances that were in an old utility system and not deleted after all current customers were entered into new utility system. The enterprise funds statements reflect a prior period adjustment increasing net position by \$32,725.

14. FUND BALANCE (DEFICIT)

At December 31, 2018, the General Fund had a fund deficit of \$29,239. The town's plan is to transfer funds to eliminate the deficit.

15. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 16, 2020. This date represents the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

Town of Cotton Valley
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
General Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance
	Original	Final		
REVENUES				
Taxes - ad valorem	\$12,000	\$12,000	\$11,720	(\$280)
Taxes - other	1,200	1,200		(1,200)
Licenses and permits	24,100	24,100	5,149	(18,951)
Franchise fees	21,000	21,000	34,994	13,994
Fines and forfeitures	120,000	120,000	83,388	(36,612)
Intergovernmental revenues:				
Local grants			7,115	7,115
State grants			27,875	27,875
Use of money	2,000	2,000	100	(1,900)
Miscellaneous	7,000	7,000	12,588	5,588
Total Revenues	187,300	187,300	182,929	(4,371)
EXPENDITURES				
General government	236,100	236,100	180,067	56,033
Public Safety	3,100	3,100	89,735	(86,635)
Capital outlay			44,590	(44,590)
Total Expenditures	239,200	239,200	314,392	(75,192)
Excess (Deficiency) of Revenues over (under) Expenditures	(51,900)	(51,900)	(131,463)	(79,563)
OTHER FINANCING SOURCES (USES)				
Sale of assets			750	750
Operating transfers in	65,000	65,000	101,815	36,815
Operating transfers out				0
Total Other Financing Sources (Uses)	65,000	65,000	102,565	37,565
Net Change in Fund Balance	13,100	13,100	(28,898)	(41,998)
Fund Balance (Deficit) at Beginning of Year	0	0	19,431	19,431
Prior Period Adjustment	0	0	0	0
Fund Balance (Deficit) at End of Year	\$13,100	\$13,100	(\$9,467)	(\$22,567)

Notes to the Schedule

- (1) method of budgetary accounting - GAAP, modified accrual basis
- (2) explanation of material variances -underbudgeted public safety and capital outlay expenditures

The accompanying notes are an integral part of this schedule.

Town of Cotton Valley
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Sales Tax Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance
	Original	Final		
REVENUES				
Sales taxes	\$75,000	\$75,000	\$72,808	(\$2,192)
Miscellaneous			1	1
Total Revenues	75,000	75,000	72,809	(2,191)
EXPENDITURES				
Highway & streets	7,000	7,000	46	6,954
Total Expenditures	7,000	7,000	46	6,954
Excess (Deficiency) of Revenues over (under) Expenditures	68,000	68,000	72,763	4,763
OTHER FINANCING SOURCES (USES)				
Operating transfers in				0
Operating transfers out	(65,000)	(65,000)	(78,502)	(13,502)
Total Other Financing Sources (Uses)	(65,000)	(65,000)	(78,502)	(13,502)
Net Change in Fund Balance	3,000	3,000	(5,739)	(8,739)
Fund Balance (Deficit) at Beginning of Year	0	0	7,167	7,167
Prior Period Adjustment	0	0	0	0
Fund Balance (Deficit) at End of Year	<u>\$3,000</u>	<u>\$3,000</u>	<u>\$1,428</u>	<u>(\$1,572)</u>

Notes to the Schedule

- (1) method of budgetary accounting - GAAP, modified accrual basis
(2) explanation of material variances - no amendment for transfers out

The accompanying notes are an integral part of this schedule.

Town of Cotton Valley
Notes to Supplemental Information
For the Year Ended December 31, 2018

For the year ended December 31, 2018, the Town adopted budgets on a cash basis for the general fund and sales tax fund. There were no amendments to the budgets. The following schedule reconciles excess (deficiency) of revenues and other sources over expenditures and other uses on the statement of revenues, expenditures and changes in fund balance (budget basis) with the amounts shown on the statement of revenues, expenditures and changes in fund balances (GAAP basis):

	General fund	Sales tax fund
Net change in fund balance (budget basis)	(\$28,898)	(\$5,739)
Adjustments:		
Revenue accruals - net	(4,863)	(590)
Expenditure accruals - net	(14,909)	
Net change in fund balance (GAAP basis)	<u>(\$48,670)</u>	<u>(\$6,329)</u>

OTHER SUPPLEMENTAL SCHEDULES

Town of Cotton Valley
Schedule of Compensation Paid Board Members
For the Year Ended December 31, 2018

Schedule 3

<u>Board Member</u>	<u>Amount</u>
Joseph Alexander, Mayor	\$12,000
Clarence Cox	3,800
Charlene Lewis	3,450
Reginald Shaw	3,450
Evelyn Parish	3,400
Naomi Houston	<u>3,700</u>
Total	<u>\$29,800</u>

The accompanying notes are an integral part of this schedule.

Town of Cotton Valley
Schedule of Compensation, Benefits and Other Payments
to Agency Head or Chief Executive Officer
For the Year Ended December 31, 2018

Schedule 4

Agency Head Name: Mayor Joseph Alexander

Purpose	Amount
Salary	\$12,000
Benefits-insurance	0
Benefits-retirement	0
Benefits-other	0
Car allowance	0
Vehicle provided by government	0
Per diem	0
Reimbursements	55
Travel	0
Registration fees	0
Conference travel	3,838
Continuing professional education fees	0
Telephone	852
Unvouchered expenses	1,027
Special meals	0

The accompanying notes are an integral part of this schedule.

OTHER REPORTS

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Certified Public Accountants

A Professional Accounting Corporation

Members: AICPA/ Society of LCPA's

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

Independent Auditor's Report

Mayor and Board of Aldermen
Town of Cotton Valley
Cotton Valley, Louisiana

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Cotton Valley ("Town") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 16, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's

financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses. 2018-1, 2018-2, and 2018-3.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2018-4, 2018-5, 2018-6, 2018-7 and 2018-8.

Town's Response to Findings

Town's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wade & Perry
Ruston, Louisiana
January 16, 2020

Town of Cotton Valley
Schedule of Current Year Findings and Corrective Action Plan
For the Year Ended December 31, 2018

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the general purpose financial statements of the Town of Cotton Valley.
2. Five instances of noncompliance material to the financial statements of the Town of Cotton Valley were disclosed during the audit.
3. Four significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control.

2018-001. Internal Control Over Financial Reporting

Condition: Management has chosen to engage the auditor to propose certain year-end adjusting entries and to prepare their annual financial statements. This condition is intentional by management based upon the Town's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. In relation to this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. In June, 2019, Mayor Alexander was convicted on two counts of abuse of office for political gain. In August, 2019 the mayor was sentenced to 8 years combined on two counts of abuse of power. However, all but one year of his sentence was suspended by the judge.

Criteria: Internal controls should be set up for all areas.

Cause: Alleged misappropriation of assets.

Potential effect: Internal control violation and misappropriation of assets.

Recommendation: Maintain adequate support for using town's monies.

2018-002. Compliance with local government budget act

Condition: For the year ended December 31, 2018, the General fund actual expenditures and other uses exceeded budgeted expenditures and other uses by \$75,192 or 31%. For the year ended December 31, 2018, the Sales tax fund actual expenditures and other uses exceeded budgeted expenditures and other uses by \$6,548 or 9%.

Criteria: According to LRS 39:1310, failing to amend the budget when necessary is a violation of the local government budget act.

Cause: Management failed to budget for capital outlay in the General fund and underbudgeted transfers out in the Sales tax fund.

Effect: Noncompliance with local budget law.

Recommendation: We recommend the Town monitor budget and actual figures and amend as necessary.

2018-003. Internal Control over utility billing and receipts

Condition: The utility software was not charging sales tax on commercial accounts. Three of 13 tested accounts were calculated incorrectly. Six of 13 tested accounts could not be traced to the bank statement. The town did not maintain records to test gallons pumped versus gallons billed.

Criteria: Internal controls should be set up for all areas.

Cause: Utility software was not updated with current rates.

Effect: Utility revenues may be misstated and is at risk for fraud.

Recommendation: We recommend that the Town update the utility system to the current rates in effect and check how the system is charging various gallons used. Also the Town should maintain all records of billings and collections.

2018-004. Article VII, Section 14 violation

Condition: One board member account did not pay their bill timely and incurred late charges.

Criteria: Article VII, Section 14 states in part “funds, credit, property, or things of value shall not be loaned, pledged, or donated to, or for any person, association, or corporation, public or private.”

Cause: 1 employees and 1 board member did not pay their utility bills on time.

Effect: Violation of Article VII, Section 14.

Recommendation: We recommend the Town mandate all employees and board members pay their utility bill on time and not incur late charges in order to refrain from violating this Article.

2018-005. Traffic tickets

Condition: We could not test traffic tickets after discussing procedures with the town clerk. The clerk says that she has receipts given out for paid tickets, but that sufficient detail to trace the payments to a particular deposit slip did not exist in 2018.

Criteria: Internal controls should be set up for all areas.

Cause: No internal controls in place regarding traffic tickets.

Effect: There is a potential for loss of revenue with no procedures set up.

Recommendation: The Clerk should maintain adequate documentation of all tickets written, amounts charged, any reduced charges, payments received, and sufficient documentation on the deposit slips.

2018-006. Internal control over disbursements is inadequate

Condition: Twenty of the 53 randomly selected disbursements were posted to an incorrect account or we were unable to determine the correct account. Sixteen disbursements did not have supporting documentation, including 5 that were payroll related. Ten disbursements were paying partial payments so they did not agree to the supporting documentation.

Criteria: Internal controls should be set up for all areas.

Cause: Supporting documentation was not kept in a central location.

Effect: Expenditures and payroll expenses may be misstated and is at risk for fraud.

Recommendation: The Town should maintain adequate supporting documentation for all disbursements. Check signers should not sign any disbursements without proper supporting documentation attached.

2018-007. Underfund debt reserve requirements

Condition: The Town does not currently have the required amount set aside for debt reserves according to its water and sewer loan agreements.

Criteria: Bonds require certain reserves be set up for sinking fund, reserve fund, and contingency fund.

Cause: Poor financial management in previous years under other management.

Effect: Noncompliance with USDA reserve requirements

Recommendation: The Town should work with the USDA Rural development office to get current with all required reserves.

2018-008. Underfunded customer deposits

Condition: The Town does not currently have the required amount set aside for customer deposits.

Criteria: State law requires the balance of customer deposits be reserved in a separate account.

Cause: Poor financial management in previous years under other management.

Effect: Noncompliance with reserve requirements

Recommendation: The Town should immediately implement a plan to fully fund its customer deposits liability.

2018-009. Late submission of audit report

Condition: The Town submitted the audit report after June 30, 2019.

Criteria: LRS 24:513A(5)(a)(I)

Cause: The prior year audit was not completed until mid-year 2019 so the current year's audit was not approved until July, 2019.

Effect: Misstatements in the financial statements may not be detected and the town management could not make educated, informed decisions.

Recommendation: We recommend the Town post all activity timely so all financial information is available to the auditor in order to have the audit performed timely.

Town of Cotton Valley
Summary of Prior Year Findings
For the Year Ended December 31, 2018

2017-001. Internal control over financial reporting

Status: Unresolved - see 2018-001

Town of Cotton Valley
478 Resident St
COTTON VALLEY, LA 71018

CORRECTIVE ACTION PLAN
For the Year Ended December 31, 2018

Town of Cotton Valley hereby submits the following corrective action plan as referenced in the Findings and Questioned Costs:

- 2018-1. The Town agrees with the recommendations and intends to implement them immediately.
- 2018-2. The Town agrees with the recommendations and intends to implement them immediately.
- 2018-3. The Town agrees with the recommendations and intends to implement them immediately.
- 2018-4. The Town agrees with the recommendations and intends to implement them immediately.
- 2018-5. The Town agrees with the recommendations and intends to implement them immediately.
- 2018-6. The Town agrees with the recommendations and intends to implement them immediately.
- 2018-7. The Town agrees with the recommendations and intends to implement them immediately.
- 2018-8. The Town agrees with the recommendations and intends to implement them immediately.
- 2018-9. The Town agrees with the recommendations and intends to implement them immediately.

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Mayor and Board of Aldermen of Town of Cotton Valley and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Town of Cotton Valley (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving
 - d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Written policies and procedures were obtained for payroll only and the Town was not in compliance with budgeting, purchasing, disbursements, receipts/collections, contracting, credit cards, travel and expense reimbursement, ethics, and debt service.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
No exceptions.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

The minutes did not reference any various financial data nor any monthly budget-to-actual comparisons.

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Not applicable.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

No exceptions.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

There was no evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Management has not documented that it has researched reconciling items that have been outstanding for more than 12 months.

Collections

- 4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Obtained a listing of deposit sites and the corresponding collection locations and management's representation that the listing is complete.

- 5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each

deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

No exceptions.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

No exceptions.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

No exceptions.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

No exceptions.

- 6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

No exceptions.

- 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

Observed receipts are not sequentially pre-numbered.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

Observed one deposit was not made within one business day of receipt

- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Obtained a listing of locations that process payments and management's representation that the listing is complete

- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

Obtained a listing of all employees involved with non-payroll purchasing and payment functions.

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

No exceptions.

- b) At least two employees are involved in processing and approving payments to vendors.

No exceptions.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

The employee responsible for processing payments can add or modify vendor files.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

The employee responsible for mailing the checks is the employee who adds and modifies vendor files and also the employee in charge of processing payments.

- 10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

Obtained a representation of the disbursement population for the fiscal period and management's assertion that the population is complete.

- a) Observe that the disbursement matched the related original invoice/billing statement.

Two of the five disbursements matched the related original invoice.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

One of the five disbursements included evidence of segregation of duties.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

- 11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Obtained complete listing of all active credit cards, debit cards, fuel cards, and P-cards and management's representation that the listing is complete.

- 12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

Observed there is no evidence the monthly statement was reviewed and approved, in writing, by someone other than the authorized card holder.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

Observed finance charges on one selected statement.

- 13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

- (1) No transactions were supported by an itemized receipt.
- (2) No transactions were supported by documentation of business/public purpose and;
- (3) Not applicable.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Management did not provide support for the 5 selected reimbursements.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Management did not provide support for the 5 selected reimbursements.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

Management did not provide support for the 5 selected reimbursements.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Management did not provide support for the 5 selected reimbursements.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Not applicable.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

Management approved one contract for water department matters. Management did not provide contract for attorney professional services.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

No exceptions.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Management could not provide supporting invoices for attorney professional services. The payments for the water department matters did not agree to the contract terms.

Payroll and Personnel

- 16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Obtained complete listing of employees and management's representation that the listing is complete. No personnel files containing authorized pay rates for the 5 employees selected to test were maintained by management.

- 17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

No exceptions.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

No exceptions.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Not applicable.

- 18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Obtained a signed statement from management that stated no employee received a termination payment during the year.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

No exceptions.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above: obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Management could not provide documentation showing any employee had completed the required ethics training during the fiscal period.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

The entity does not have a written policy concerning ethics.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Not applicable.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Obtained a listing of bonds/ notes outstanding and management's representation that the listing is complete. The randomly selected note's reserve balance was underfunded compared to what is required by the debt covenant.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management has asserted that there were not any misappropriations of funds or assets.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Observed that the entity has the notice posted on its premises.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Wade & Perry

Ruston, LA

January 16, 2020