

Town of Cotton Valley
Cotton Valley, Louisiana

Annual Financial Statements
For the Year Ended December 31, 2017

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Annual Financial Statements
For the Year Ended December 31, 2017

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WADE & PERRY

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

Independent Accountant's Review Report

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

We have reviewed the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Cotton Valley (Town), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion. The financial statements of the Town as of December 31, 2016, were audited by other auditors whose report dated June 29, 2017, expressed an unqualified opinion on those statements.

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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA, and the standards applicable to review engagements contained in *Government Auditing Standards*, issued by the United States Comptroller General. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary information

The accompanying schedule of compensation, benefits, and other payments to the agency head and schedule of compensation paid elected officials, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of

America. We have not audited the supplementary information and, accordingly, do not express an opinion on such information.

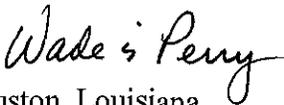
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule on page xx be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Government 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 historic context. The information is the responsibility of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on such information.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United State of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government 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 content.

Report on Agreed-Upon Procedures

In accordance with the *Louisiana Governmental Audit Guide* and the provisions of state law, we have issued a report, dated November 1, 2018, on the results of the agreed-upon procedures.



Ruston, Louisiana
November 1, 2018

Town of Cotton Valley, Louisiana
Statement of Net Position
As of December 31, 2017

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and equivalents	\$16,653	\$8,364	\$25,017
Receivables	30,859	27,820	58,679
Internal balances	(2,700)	2,700	0
Restricted assets		20,006	20,006
Other assets			0
Capital assets (net)	52,190	3,022,138	3,074,328
TOTAL ASSETS	<u>\$97,002</u>	<u>\$3,081,028</u>	<u>\$3,178,030</u>
Deferred outflows of resources	0	0	0
LIABILITIES			
Cash overdraft	\$0	\$0	\$0
Accounts, salaries, and other payables	18,214	21,488	39,702
Current loans, bonds, and interest payable		28,713	28,713
Liabilities payable from restricted assets		56,173	56,173
Loans and bonds payable		493,213	493,213
TOTAL LIABILITIES	<u>18,214</u>	<u>599,587</u>	<u>617,801</u>
Deferred inflows of resources	0	0	0
NET POSITION			
Invested in capital assets, net of related debt	52,190	2,501,301	2,553,491
Restricted for debt		14,155	14,155
Restricted for public works	7,167		7,167
Unrestricted	19,431	(34,015)	(14,584)
TOTAL NET POSITION	<u>\$78,788</u>	<u>\$2,481,441</u>	<u>\$2,560,229</u>

The accompanying notes are an integral part of this statement.

Town of Cotton Valley, Louisiana
Statement of Activities
Year Ended December 31, 2017

	Program Revenues			Net (Expenses) Revenues and Changes of Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$148,376				(\$148,376)		(\$148,376)
Public safety	92,974	\$38,415			(54,559)		(54,559)
Highway & streets	660				(660)		(660)
Depreciation	7,721				(7,721)		(7,721)
Total governmental activities	<u>249,731</u>	<u>38,415</u>	<u>0</u>	<u>0</u>	<u>(211,316)</u>	<u>0</u>	<u>(211,316)</u>
Business-type activities:							
Water and sewer	407,825	255,618				(152,207)	(152,207)
Total business-type activities	<u>407,825</u>	<u>255,618</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(152,207)</u>	<u>(152,207)</u>
Total primary government	<u>\$657,556</u>	<u>\$294,033</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$211,316)</u>	<u>(\$152,207)</u>	<u>(\$363,523)</u>
General revenues:							
Ad valorem taxes					\$21,493		\$21,493
Sales taxes					58,997		58,997
Franchise fees					56,533		56,533
Licenses and permits					4,416		4,416
Intergovernmental					708		708
Investment earnings					2	39	41
Other general revenues					31,052	2,700	33,752
Transfers - net					59,350	(59,350)	0
Total general revenues and transfers					<u>232,551</u>	<u>(56,611)</u>	<u>175,940</u>
Change in Net Position					21,235	(208,818)	(187,583)
Net Position - beginning					57,553	2,690,259	2,747,812
Prior period adjustment					0	0	0
Net Position - ending					<u>\$78,788</u>	<u>\$2,481,441</u>	<u>\$2,560,229</u>

The accompanying notes are an integral part of this statement.

Town of Cotton Valley, Louisiana
 Balance Sheet, Governmental Funds
 December 31, 2017

	ASSETS	General Fund	Sales Tax Fund	Total Governmental Funds
Cash and cash investments		\$10,076	\$6,577	\$16,653
Receivable		30,269	590	30,859
Interfunds				0
Other assets				0
TOTAL ASSETS		<u>\$40,345</u>	<u>\$7,167</u>	<u>\$47,512</u>
	LIABILITIES AND FUND BALANCES			
Liabilities:				
Cash overdraft		\$0	\$0	\$0
Accounts, salaries, and other payables		18,214		18,214
Interfunds		2,700		2,700
Total liabilities		<u>20,914</u>	<u>0</u>	<u>20,914</u>
Fund balances:				0
Restricted for public works			7,167	7,167
Unassigned		19,431		19,431
TOTAL LIABILITIES AND FUND BALANCES		<u>\$40,345</u>	<u>\$7,167</u>	<u>\$47,512</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, 2017

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

Fund balances, Total governmental funds (Statement C) \$26,598

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:

Governmental capital assets	\$202,796	
Less accumulated depreciation	<u>(150,606)</u>	<u>52,190</u>

Net Position of Governmental Activities (Statement A) \$78,788

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, 2017

	General Fund	Sales Tax Fund	Total Governmental Funds
REVENUES			
Taxes:			
Ad valorem	\$21,493		\$21,493
Sales and use		58,997	58,997
Franchise fees	56,533		56,533
Licenses and permits	4,416		4,416
Intergovernmental revenues - state	708		708
Fines and forfeitures	38,415		38,415
Interest earnings		2	2
Other revenues	31,052		31,052
Total Revenues	<u>152,617</u>	<u>58,999</u>	<u>211,616</u>
EXPENDITURES			
General government	148,376		148,376
Public safety	92,974		92,974
Highway & streets		660	660
Total Expenditures	<u>241,350</u>	<u>660</u>	<u>242,010</u>
Excess (Deficiency) of Revenues over (under) Expenditures	(88,733)	58,339	(30,394)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	124,392		124,392
Operating transfers out		(65,042)	(65,042)
Total Other Financing Sources (Uses)	<u>124,392</u>	<u>(65,042)</u>	<u>59,350</u>
Net Change in Fund Balance	35,659	(6,703)	28,956
Fund Balance – beginning	(16,228)	13,870	(2,358)
Prior period adjustment	0	0	0
Fund Balance – ending	<u>\$19,431</u>	<u>\$7,167</u>	<u>\$26,598</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, 2017

Amounts reported for governmental activities in the Statement of Activities are different because:	
Net Change in Fund Balances, Total governmental funds (Statement E)	\$28,956
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 (\$0) exceeded depreciation (\$7,721) in the current period.	(\$7,721)
The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources.	0
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>
Change in Net Position of Governmental Activities, Statement B	<u><u>\$21,235</u></u>

The accompanying notes are an integral part of this statement.

Town of Cotton Valley, Louisiana
Statement of Net Position, Proprietary Funds
December 31, 2017

		Business-Type Activities - Enterprise Funds	
		<u>2017</u>	<u>2016</u>
ASSETS			
Current assets:			
Cash and equivalents		\$8,364	\$8,007
Receivables		27,820	27,558
Interfunds		2,700	0
Total current assets		<u>38,884</u>	<u>35,565</u>
Restricted assets:			
Cash and equivalents		20,006	87,027
Non-current assets:			
Capital assets (net of accumulated depreciation)		<u>3,022,138</u>	<u>3,167,579</u>
Total Non-current assets		<u>3,022,138</u>	<u>3,167,579</u>
TOTAL ASSETS		<u>\$3,081,028</u>	<u>\$3,290,171</u>
LIABILITIES			
Current Liabilities:			
Cash overdraft		\$0	\$0
Accounts, salaries, and other payables		21,488	465
Accrued interest		1,089	1,089
Capital lease, current		6,662	6,609
Revenue bonds, current		<u>20,962</u>	<u>20,503</u>
Total current liabilities		<u>50,201</u>	<u>28,666</u>
Current liabilities payable from restricted assets		<u>56,173</u>	<u>50,229</u>
Non-current liabilities:			
Loans and bonds payable		<u>493,213</u>	<u>521,017</u>
Total non-current liabilities		<u>493,213</u>	<u>521,017</u>
Total liabilities		<u>599,587</u>	<u>599,912</u>
NET POSITION			
Net investment in capital assets		2,501,301	2,619,450
Restricted for debt service		14,155	67,125
Unrestricted		<u>(34,015)</u>	<u>3,684</u>
TOTAL NET POSITION		<u>\$2,481,441</u>	<u>\$2,690,259</u>

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, 2017

	Business-Type Activities - Enterprise Funds	
	<u>2,017</u>	<u>2016</u>
Operating Revenues		
Charges for services:		
Water and sewer sales	\$255,618	\$265,604
Other services	0	0
Total Operating Revenues	<u>255,618</u>	<u>265,604</u>
Operating Expenses		
Salaries	92,545	80,974
Insurance	23,766	26,853
Truck expense	13,243	14,353
Maintenance and repairs	32,275	21,442
Miscellaneous expenses	20,155	19,904
Contract labor	6,282	30,800
Office expense	22,641	6,249
Materials and supplies	5,285	2,719
Utilities	24,834	23,933
Depreciation	145,441	134,989
Total Operating Expenses	<u>386,467</u>	<u>362,216</u>
Operating income (loss)	(130,849)	(96,612)
Nonoperating revenue (expenses)		
Sale of assets	2,700	0
Interest earnings	39	94
Interest expense	(21,358)	(24,341)
Total Nonoperating Revenue (Expenses)	<u>(18,619)</u>	<u>(24,247)</u>
Income before contributions and transfers	(149,468)	(120,859)
Capital contributions		61,080
Transfers in		0
Transfers out	(59,350)	0
Change in Net Position	<u>(208,818)</u>	<u>(59,779)</u>
Total Net Position - Beginning	2,690,259	2,750,038
Prior period adjustment	0	0
Total Net Position - Ending	<u>\$2,481,441</u>	<u>\$2,690,259</u>

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, 2017

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Receipts from customers and users	\$258,600	\$279,280
Receipts from other funds	0	0
Payments to suppliers	(127,457)	(161,195)
Payments to employees	(92,545)	(80,974)
Payments to other funds	0	0
Net Cash Provided by Operating Activities	<u>38,598</u>	<u>37,111</u>
Cash Flows from Noncapital Financing Activities		
Transfer to other funds	(59,350)	
Advances from other funds		
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(59,350)</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities		
Purchases of capital assets	0	(61,080)
Capital contributions	0	61,080
Principal paid on capital debt	(27,291)	(25,145)
Interest paid on capital debt	(21,360)	(25,516)
Gain on sale of asset	2,700	
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(45,951)</u>	<u>(50,661)</u>
Cash Flows from Investing Activities		
Interest and dividends received	39	94
Net Cash Provided by Investing Activities	<u>39</u>	<u>94</u>
Net Increase in Cash and equivalents	(66,664)	(13,456)
Cash and equivalents, Beginning of Year	<u>95,034</u>	<u>108,490</u>
Cash and equivalents, End of Year	<u>\$28,370</u>	<u>\$95,034</u>
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities		
Operating income	(\$130,849)	(\$96,612)
Depreciation expense	145,441	134,989
(Increase) decrease in accounts receivable	(261)	(3,463)
(Increase) decrease in prepaid expenses	0	6,518
(Increase) decrease in due from other funds	(2,700)	
Increase (decrease) in customer deposits	5,944	1,449
Increase (decrease) in accounts payable	21,023	(5,770)
Increase (decrease) in due to other funds	0	
Net Cash Provided by Operating Activities	<u>\$38,598</u>	<u>\$37,111</u>
Reconciliation of total cash and cash investments:		
Current assets - cash and cash investments	\$8,364	\$8,007
Restricted assets - cash and cash investments	20,006	87,027
Total cash and cash investments	<u>\$28,370</u>	<u>\$95,034</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, 2017

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, 2017

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, 2017

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, 2017

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</u>	<u>Levied</u>	<u>Expiration</u>
General fund	Millage	Millage	Date
	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</u>
	<u>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, 2017

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, 2017.

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, 2017

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, 2017.

Town of Cotton Valley, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2017

3. CASH AND CASH EQUIVALENTS

At December 31, 2017, the Town has cash and cash equivalents (book balances) totaling \$45,023 as follows:

Demand deposits	\$45,023
Time deposits	<u>0</u>
Total	<u><u>\$45,023</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, 2017, the Town has \$49,479 in deposits (collected bank balances). These deposits are secured from risk by \$49,479 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 \$58,679 at December 31, 2017, are as follows:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Utility Fund</u>	<u>Total</u>
Sales and use taxes		\$590		\$590
Franchise fees	14,426			14,426
Ad valorem taxes	9,929			9,929
Other	5,914			5,914
Accounts			<u>\$27,820</u>	<u>27,820</u>
Total	<u><u>\$30,269</u></u>	<u><u>\$590</u></u>	<u><u>\$27,820</u></u>	<u><u>\$58,679</u></u>

5. RESTRICTED ASSETS - Proprietary Fund Type

Customer deposits	\$5,851
Bond and interest sinking fund	5,906
Bond reserve fund	1,067
Contingency fund	<u>7,182</u>
Total	<u><u>\$20,006</u></u>

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

<u>Fund</u>	<u>Due from</u>	<u>Due to</u>
General fund		\$2,700
Utility fund	2,700	
Total	<u><u>\$2,700</u></u>	<u><u>\$2,700</u></u>

Town of Cotton Valley, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2017

7. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Adjustment	Increases	Decreases	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$27,250				\$27,250
Total capital assets not being depreciated	<u>27,250</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>27,250</u>
Buildings	122,824				122,824
Improvements other than buildings	0				0
Machinery and equipment	27,022				27,022
Vehicles	25,700				25,700
Total capital assets being depreciated	<u>175,546</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>175,546</u>
Accumulated depreciation	<u>142,885</u>	<u>\$7,721</u>			<u>150,606</u>
Total capital assets being depreciated, net	<u>\$59,911</u>	<u>(\$7,721)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$52,190</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$16,000			\$16,000
Construction in progress				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			0
Equipment	91,913		(17,866)	74,047
Vehicles	4,500			4,500
Total capital assets being depreciated	<u>5,149,521</u>	<u>0</u>	<u>(17,866)</u>	<u>5,131,655</u>
Less accumulated depreciation	<u>1,997,942</u>	<u>\$145,441</u>	<u>(17,866)</u>	<u>2,125,517</u>
Total business-type assets being depreciated, net	<u>\$3,151,579</u>	<u>(\$145,441)</u>	<u>\$0</u>	<u>\$3,022,138</u>

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

	Governmental	Business- type	Total
Public safety	\$3,906		\$3,906
General government	3,815		3,815
Water and sewer		\$145,441	145,441
Total	<u>\$7,721</u>	<u>\$145,441</u>	<u>\$145,441</u>

Town of Cotton Valley, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2017

8. ACCOUNTS, SALARIES, AND OTHER PAYABLES

The payables of \$39,702 at December 31, 2017, are as follows:

	General Fund	Sales Tax Fund	Utility Fund	Total
Accounts	\$18,214	\$0	\$21,488	\$39,702
Total	<u>\$18,214</u>	<u>\$0</u>	<u>\$21,488</u>	<u>\$39,702</u>

9. LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-type activities:					
Sewer revenue bonds	\$42,000		(\$10,000)	\$32,000	\$10,000
Water revenue bonds	2,151		(\$501)	1,650	611
Water and sewer bonds	490,668		(\$10,142)	480,526	10,351
Equipment capital lease	13,310		(6,648)	6,662	6,662
Total business-type activities	<u>\$548,129</u>	<u>\$0</u>	<u>(\$27,291)</u>	<u>\$520,838</u>	<u>\$27,624</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%. \$32,000

\$8,905 Water Revenue Bonds dated June 15, 1993; due in annual installments of \$609, which includes principal and interest; interest rate at 5%. 1,650

\$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. 480,526

\$29,800 Municipal Equipment Capital Lease; due in 60 monthly installments beginning December, 2013 of \$641.77, which includes principal and interest; interest rate at 10.579%; final payment November, 2018 6,662

Total business-type activities \$520,838

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. Payments on the capital lease of the Enterprise Fund are made from the Water and Sewer Fund.

The annual requirements to amortize all loans outstanding at December 31, 2017, are as follows:

Town of Cotton Valley, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2017

<u>Year Ending December 31,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2018	\$20,862	\$21,590	\$42,452
2019	22,838	20,634	43,472
2020	22,268	19,610	41,878
2021	11,756	18,564	30,320
2022 and thereafter	436,451	224,573	661,024
Total	<u>\$514,175</u>	<u>\$304,971</u>	<u>\$819,146</u>

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 \$13,629 and the net book value was \$16,171 at December 31, 2017. 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. The future minimum lease obligation and net present value of the minimum lease payments as of December 31, 2017 was \$6,701 principal and \$360 interest all due in 2018.

10. 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, 2017, the town's police chief and officers received \$12,000 in police supplemental pay from the State of Louisiana, Department of Public Safety and Corrections.

11. CONTINGENT LIABILITIES

The Town is not involved in any litigation at December 31, 2017, nor is it aware of any unasserted claims.

12. LEASES

The Town leases equipment under operating leases. The rental cost on the equipment paid during the year ended December 31, 2017 was \$2,318. 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>
2018	\$3,727
2019	3,727
2020	3,727
2021	3,727
2022	3,729
Total	<u>\$18,637</u>

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 1, 2018. 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, 2017

	Budgeted Amounts		Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance
	Original	Final		
REVENUES				
Taxes - ad valorem	\$12,000	\$12,000	\$23,569	\$11,569
Taxes - other	1,200	1,200		(1,200)
Licenses and permits	24,100	24,100	4,016	(20,084)
Franchise fees	21,000	21,000	42,107	21,107
Fines and forfeitures	120,000	120,000	33,111	(86,889)
Miscellaneous	7,500	7,500	31,550	24,050
Total Revenues	185,800	185,800	134,353	(51,447)
EXPENDITURES				
General government	113,750	98,429	157,012	(58,583)
Public Safety	97,200	119,535	92,974	26,561
Total Expenditures	210,950	217,964	249,986	(32,022)
Excess (Deficiency) of Revenues over (under) Expenditures	(25,150)	(32,164)	(115,633)	(83,469)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	45,000	45,000	124,392	79,392
Operating transfers out				0
Total Other Financing Sources (Uses)	45,000	45,000	124,392	79,392
Net Change in Fund Balance	19,850	12,836	8,759	(4,077)
Fund Balance (Deficit) at Beginning of Year			10,253	10,253
Prior Period Adjustment	0	0	0	0
Fund Balance (Deficit) at End of Year	\$19,850	\$12,836	\$19,012	\$6,176

Notes to the Schedule

- (1) method of budgetary accounting - GAAP, modified accrual basis
(2) explanation of material variances -underbudgeted general government 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, 2017

	Budgeted Amounts		Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance
	Original	Final		
REVENUES				
Sales taxes	\$65,000	\$65,000	\$64,726	(\$274)
Miscellaneous			2	2
Total Revenues	<u>65,000</u>	<u>65,000</u>	<u>64,728</u>	<u>(272)</u>
EXPENDITURES				
Highway & streets	<u>12,000</u>	<u>12,000</u>	<u>660</u>	<u>11,340</u>
Total Expenditures	<u>12,000</u>	<u>12,000</u>	<u>660</u>	<u>11,340</u>
Excess (Deficiency) of Revenues over (under) Expenditures	53,000	53,000	64,068	11,068
OTHER FINANCING SOURCES (USES)				
Operating transfers in				0
Operating transfers out	<u>(45,000)</u>	<u>(45,000)</u>	<u>(65,042)</u>	<u>(20,042)</u>
Total Other Financing Sources (Uses)	<u>(45,000)</u>	<u>(45,000)</u>	<u>(65,042)</u>	<u>(20,042)</u>
Net Change in Fund Balance	8,000	8,000	(974)	(8,974)
Fund Balance (Deficit) at Beginning of Year			7,553	7,553
Prior Period Adjustment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u>\$8,000</u>	<u>\$8,000</u>	<u>\$6,579</u>	<u>(\$1,421)</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, 2017

For the year ended December 31, 2017, 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)	\$8,759	(\$974)
Adjustments:		
Revenue accruals - net	18,264	(5,729)
Expenditure accruals - net	8,636	
Net change in fund balance (GAAP basis)	<u>\$35,659</u>	<u>(\$6,703)</u>

OTHER SUPPLEMENTAL SCHEDULES

Town of Cotton Valley
Schedule of Compensation Paid Board Members
For the Year Ended December 31, 2017

Schedule 3

<u>Board Member</u>	<u>Amount</u>
Joseph Alexander, Mayor	\$9,480
Clarence Cox	2,976
Charlene Lewis	3,326
Reginald Shaw	1,250
Evelyn Parish	3,326
Naomi Houston	2,976
Toby Sinclair	<u>2,076</u>
Total	<u>\$25,410</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, 2017

Schedule 3

Agency Head Name: Mayor Joseph Alexander

Purpose	Amount
Salary	\$9,480
Benefits-insurance	0
Benefits-retirement	0
Benefits-other	0
Car allowance	0
Vehicle provided by government	0
Per diem	0
Reimbursements	500
Travel	741
Registration fees	238
Conference travel	514
Continuing professional education fees	0
Telephone	0
Unvouchered expenses	0
Special meals	0

OTHER REPORTS

WADE & PERRY

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

Independent Accountant's Report
on Applying Agreed-Upon Procedures

Board of Commissioners
Town of Cotton Valley

We have performed the procedures included in the *Louisiana Government Audit Guide* and enumerated below, which were agreed to by the management of the Town of Cotton Valley and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the Village's compliance with certain laws and regulations during the year ended December 31, 2017 included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with 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 the 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.

Public Bid Law

1. Obtain documentation for all expenditures made during the year for material and supplies exceeding \$30,000, or public works exceeding \$154,450. Compare the documentation for these expenditures to LSA-RS 38:2211-2296 (the public bid law) or RS 39:1551-1775 (state procurement code), whichever is applicable; and report whether the expenditures were made in accordance with these laws.

There were no expenditures made during the year within the above scope.

Code of Ethics for Public Officials and Public Employees

2. Obtain a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics).

Management provided us with the required list including the noted information.

3. Obtain a list of all employees paid during the fiscal year.

Management provided us with the required list.

4. Report whether any employee's names appear on both lists obtained in Procedures 2 and 3.

None of the employees in procedure 3 were on the list from procedure 2.

5. Obtain a list of all disbursements made during the year; and a list of outside business interests of board members, employees, and board members' and employees' immediate families. Report whether any vendors appear on both lists.

No vendors appeared on both lists provided by management.

Budgeting

6. Obtain a copy of the legally adopted budget and all amendments.

Management provided us with a copy of the original and amended budgets. The budget did not show approved expenditures in excess of the total of estimated funds available.

7. Trace documentation for the adoption of the budget and approval of any amendments to the minute book, and report whether there are any exceptions.

Management was unable to provide minutes showing where the original budget was adopted. The amended budget adoption was traced to minutes in December, 2017.

8. Compare the revenues and expenditures of the final budget to actual revenues and expenses. Report whether actual revenues failed to meet budgeted revenues by 5% or more, and whether actual expenditures exceeded budgeted amounts by 5% or more.

We compared the revenues and expenditures of the final budget to actual revenues and expenditures. Actual expenditures exceeded budgeted expenditures by more than 5% in the General fund. Actual expenditures exceeded budgeted expenditures by more than 5% in the Sales tax fund.

Management's response: Management will review budget to actual more closely in the future.

Accounting and Reporting

9. Obtain the list of all disbursements made during the fiscal year. Randomly select 6 disbursements, and obtain documentation from management for these disbursements. Compare the selected disbursements to the supporting documentation, and:

- (a) report whether the six disbursements agree to the amount and payee;

We examined supporting documentation for five of the six selected disbursements and found that payment was for the proper amount for five of the six disbursements.

Management's response: Management will maintain supporting documentation for all disbursements in a central location.

- (b) report whether the six disbursements are coded to the correct fund and general ledger account; and

Payments were properly coded to the correct fund and general ledger account for four of the six selected disbursements.

- (c) report whether the six disbursements were approved in accordance with management's policies and procedures.

Inspection of supporting documentation indicated approval from the Board for four of the six selected disbursements.

Management's response: Management will maintain supporting documentation for all disbursements in a central location and have time sheets signed by supervisors for all employees.

Meetings

10. Obtain evidence from management to support that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:11 through 42:28 (the open meetings law); and report whether there are any exceptions.

We inquired of management whether agendas for meetings were posted at the meeting place at least 24 hours prior to the meeting. Management stated that agendas were posted and a copy is retained by the clerk.

Debt

11. Obtain bank deposit slips for the fiscal year, and scan the deposit slips in order to identify and report whether there are any deposits that appear to be proceeds of banks loans, bonds, or like indebtedness. If any such proceeds are identified, obtain from management evidence of approval by the State Bond Commission, and report any exceptions.

We inspected copies of all bank deposit slips and statements for the fiscal year and noted no deposits which appeared to be proceeds of bank loans, bonds, or like indebtedness.

Advances and Bonuses

12. Obtain the list of payroll disbursements and meeting minutes for the governing board, if applicable. Scan these documents to identify and report whether there are any payments or approval of payments to employees that may constitute bonuses, advance or gifts.

No payments for bonuses, advance or gifts were noted.

State Audit Law

13. Report whether the agency provided for a timely report in accordance with RS 24:513.

The agency's report was submitted to the Legislative Auditor after the statutory due date of June 30, 2018.

14. Inquire of management and report whether the agency entered into any contracts that utilized state funds as defined in RS 39:72.1 A (2); and that were subject to the public bid law (RS 38:221 1, et seq.), while the agency was not in compliance with RS 24:513 (the audit law).

Management represented that the Town did not enter into any contracts during the fiscal year that were subject to the bid law.

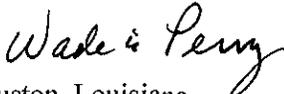
Prior Comments and Recommendations

15. Obtain and report management's representation as to whether any prior-year suggestions, exceptions, recommendations, and/or comments have been resolved.

The prior year audit report, dated June 29, 2017, included the following exceptions: 1) General Fund actual expenditures exceeded budgeted expenditures by more than 5%; Sales tax fund actual expenditures exceeded budgeted expenditures by more than 5%. This prior year exception is repeated this year. 2) Lack of segregation of duties due to small size of the Town and available resources. This prior year exception was noted during this year.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the AICPA, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the United States Comptroller General. We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on management's compliance with the foregoing matters. Accordingly, we do not express such an opinion. 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 the Town's compliance with certain laws and regulations contained in the accompanying Louisiana Attestation Questionnaire, as required by LRS 24:513 and the Louisiana Governmental Audit Guide, 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 Louisiana Legislative Auditor as a public document.


Ruston, Louisiana
November 1, 2018

Town of Cotton Valley
Current Year Findings and Corrective Action Plan
For the Year Ended December 31, 2017

2018-001 - Internal Control Over Financial Reporting

Condition: During the year ended December 31, 2017, the mayor was arrested on charges of felony abuse of power. The Webster Parish Sheriff received a tip about the allegations and turned the information over to the state police. The charges stem from two instances of mishandling town's funds in 2017. The mayor allegedly had the town clerk give him town funds for purposes not relating to the town. Both allegations are less than \$1,000 total. The trial is pending. The mayor is still the mayor and has access to all of the town's assets.

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.

Corrective Action Plan: The mayor denies any wrongdoing and is awaiting trial.

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Governmental Agencies)

November 1, 2018 (Date Transmitted)

Wade and Perry, CPAs (CPA Firm Name)

116 N. Pinecrest Dr. (CPA Firm Address)

Ruston, LA 71270 (City, State Zip)

In connection with your engagement to apply agreed-upon procedures to the control and compliance matters identified below, as of Dec. 31, 2017 (date) and for the year then ended, and as required by Louisiana Revised Statute (R.S.) 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you.

Public Bid Law

It is true that we have complied with the public bid law, R.S. Title 38:2211-2296, and, where applicable, the regulations of the Division of Administration and the State Purchasing Office.

Yes No

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of R.S. 42:1101-1124.

Yes No

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of R.S. 42:1119.

Yes No

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (R.S. 39:1301-15), R.S. 39:33, or the budget requirements of R.S. 39:1331-1342, as applicable.

Yes No

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by R.S. 44:1, 44:7, 44:31, and 44:36.

Yes No

We have filed our annual financial statements in accordance with R.S. 24:514, and 33:463 where applicable.

Yes No

We have had our financial statements reviewed in accordance with R.S. 24:513.

Yes No

We did not enter into any contracts that utilized state funds as defined in R.S. 39:72.1 A. (2); and that were subject to the public bid law (R.S. 38:2211, et seq.), while the agency was not in compliance with R.S. 24:513 (the audit law).

Yes No

We have complied with R.S. 24:513 A. (3) regarding disclosure of compensation, reimbursements, benefits and other payments to the agency head, political subdivision head, or chief executive officer.

Yes No

Meetings

We have complied with the provisions of the Open Meetings Law, provided in R.S. 42:11 through 42:28.
Yes No

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and R.S. 39:1410.60-1410.65.

Yes No

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, R.S. 14:136, and AG opinion 79-729.

Yes No

Prior-Year Comments

We have resolved all prior-year recommendations and/or comments.

Yes No

General

We are responsible for our compliance with the foregoing laws and regulations and the internal controls over compliance with such laws and regulations.

Yes No

We have evaluated our compliance with these laws and regulations prior to making these representations.

Yes No

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations.

Yes No

We have made available to you all records that we believe are relevant to the foregoing agreed-upon procedures.

Yes No

We have provided you with any communications from regulatory agencies, internal auditors, other independent practitioners or consultants or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of your report.

Yes No

We will disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance that may occur up to the date of your report.

Yes No

The previous responses have been made to the best of our belief and knowledge.

Joseph DeFonzo
X P L C B F

Mayor 11-1-2018 Date

Alderman 11-1-2018 Date