

Town of Cottonport
Annual Financial Statements
As of and for the Year Ended
June 30, 2011

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

Release Date MAR 14 2012

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

TOWN OF COTTONPORT, LOUISIANA
Annual Financial Statements
As of and for the year ended June 30, 2011

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1-2
REQUIRED SUPPLEMENTAL INFORMATION (PART I)	
Management's Discussion and Analysis	4-8
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet and Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Financial Statement of Net Assets	12
Statement of Revenues, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities	14
Proprietary Funds:	
Statement of Net Assets	15
Statement of Revenues, Expenses, and Changes in Fund Net Assets	16
Statement of Cash Flows	17
Fiduciary Funds:	
Statement of Fiduciary Net Assets - Agency Funds	18
Notes to the Financial Statements	19-33
REQUIRED SUPPLEMENTAL INFORMATION (PART II)	
Budget Comparison Schedules	
General Fund	35
Sales Tax Fund	36
Volunteer Fire Department	37
Notes to Budget Comparison Schedules	38

TOWN OF COTTONPORT, LOUISIANA
Annual Financial Statements
As of and for the year ended June 30, 2011

TABLE OF CONTENTS (Continued)

OTHER SUPPLEMENTAL SCHEDULES :

Detailed financial statements:

General Fund	
Statement of Revenues- Budget (GAAP Basis) and Actual	40
Statement of Functional Expenditures- Budget (GAAP Basis) and Actual	41-43
Enterprise Fund	
Statement of Operating Expense Detail- Budget (GAAP Basis) and Actual	44
Non-Major Governmental Funds	
Combining Balance Sheet	45
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	46
Schedule of Compensation Paid to Elected Officials	47

OTHER REPORTS REQUIRED BY GOVERNMENTAL AUDITING STANDARDS:

Independent Auditors' Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of the Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49-50
Summary of Findings and Responses	51-53
Status of Prior Audit Findings	54

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, of the Town of Cottonport, Louisiana, as of and for the year ended June 30, 2011, which collectively comprises the Town's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town of Cottonport, Louisiana's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Cottonport, Louisiana, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2012, on our consideration of the Town of Cottonport'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 that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 35 through 38 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 our 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Cottonport, Louisiana's financial statements as a whole. The combining and individual nonmajor fund financial statements and schedules described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



DUCOTE & COMPANY

Marksville, Louisiana

February 10, 2012

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

Town of Cottonport, Louisiana
Management's
Discussion and Analysis
June 30, 2011

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

Report Layout

With the implementation of Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," a government's presentation of financial statements has been greatly changed. Besides the Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, notes to the financial statements, combining schedules of non-major funds and supplementary information. The first several statements are highly condensed and present a government-wide view of the Town's finances. Within this view, all Town operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as police, fire, public works, parks and recreation, community development and general government administration. The sales tax fund is also included in the governmental activities. The Town's component unit, the Cottonport Volunteer Fire Department has their general fund reported within the governmental activities. The Town's other activities of water and sewer operations are reported within the business-type activities. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the Town.

Basic Financial Statements

- The Statement of Net Assets focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets the community owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Under the new reporting requirements of GASB 34, governmental activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities have long reported capital assets and long-term liabilities. Also, under the new reporting requirements, governmental activities are reported on the accrual basis of accounting.
- The Statement of Activities focuses gross and net costs of town programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on major governmental funds and proprietary funds. The Town's major governmental funds are presented in their own column and the remaining funds are combined into a column titled "Other Governmental Funds." A budgetary comparison is presented for the general fund, sales tax fund and the volunteer fire department fund. Statements for the Town's proprietary funds follow the governmental funds and include net assets, revenue, expenses and changes in net assets, and cash flow.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Town's financial condition.

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

The MD&A is intended to explain the significant changes in financial position and differences in operation between the current and prior years. Significant changes from the prior year are explained in the following paragraphs.

Government-wide Financial Statements

A condensed version of the Statement of Net Assets at June 30, 2011 follows.

	Net Assets at Year-end		
	Governmental Activities	Business-type Activities	Total Government
Cash and Investments	\$ 228,216	\$ 766,804	\$ 995,020
Other assets	65,848	131,738	197,586
Capital assets	1,355,828	2,096,984	3,452,812
Total assets	\$ 1,649,892	\$ 2,995,526	\$ 4,645,418
Other liabilities	\$ 53,404	\$ 75,066	\$ 128,470
Long-term liabilities	149,921	474,000	623,921
Total liabilities	203,325	549,066	752,391
Net assets			
Investment in capital assets, Net of related debt	1,205,907	1,879,547	3,085,454
Restricted	-	-	-
Unrestricted	240,660	566,913	807,573
Total net assets	\$ 1,446,567	\$ 2,446,460	\$ 3,893,027

During the year ended June 30, 2011, the following changes affected the balance of net assets: cash and investments decreased by approximately \$2,322 from the prior year. Capital expenditures in the governmental activities funds totaled \$83,581 and in the enterprise fund totaled \$43,283.

Budgetary Highlights

Over the course of the year the Town Council revised the budget only once resulting in an overall increase in general fund revenues over expenditures of \$21,419. In total, the general fund's expenditures were \$18,251 less than budgeted and revenues were \$1,341 less than budgeted for a total net favorable budget variance of \$16,911. After operating transfers in of \$266,043, the general fund finished the year with an overall favorable budget variance of \$13,047.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2011 the Town had \$3,452,812 invested in capital assets, including police and fire equipment, park and recreation facilities, buildings, and water and sewer lines. The Town acquired assets of \$86,107 and disposed of \$10,476 of assets in the general fund. In the enterprise fund \$252,379 was spent on construction of the new water well and \$43,283 was spent on equipment. Depreciation however, totaled \$173,523 resulting in a net increase in capital assets of \$197,770 (additions net of deletions and accumulated depreciation).

Capital Assets at Year-end

	Governmental Activities		Business-type Activities		Totals	
	2010	2011	2010	2011	2010	2011
Land and improvements	\$ 101,031	\$ 101,031			\$ 101,031	\$ 101,031
Construction in progress	21,121	20,000	74,982	328,204	96,103	348,204
Buildings and improvements	1,165,459	1,167,985			1,165,459	1,167,985
Furniture, fixtures and equipment	318,464	311,134			0	0
Vehicles and tractors	640,634	722,190			318,464	311,134
Water lines, wells, extensions and equipment			2,019,148	2,019,148	640,634	722,190
Treatment facility, lines and equipment					0	0
Subtotal	\$ 2,246,709	\$ 2,322,340	2,104,218	2,147,501	2,019,148	2,019,148
Accumulated depreciation	868,135	966,512	2,321,880	2,397,969	0	0
Capital assets, net	\$ 1,378,574	\$ 1,355,828	\$ 4,198,348	\$ 4,494,853	\$ 6,445,057	\$ 6,817,193
			2,321,880	2,397,969	3,190,015	3,364,381
			\$ 1,876,468	\$ 2,096,984	\$ 3,255,042	\$ 3,452,812

Debt Outstanding

At year-end, the Town had \$623,921 of outstanding long-term debt. This debt represents the balance owed on the Capital Lease purchase of a new Fire Truck for the Cottonport Volunteer Fire Department and a note payable to Capital One to finance a portion of the sidewalk project completed in a prior year. In addition, a total of \$474,000 was owed on Revenue Bonds issued to fund the construction of a new water well. More detailed information on the Town's long-term liabilities is presented in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The Town is projecting excess expenditures in the General Fund of \$314,637 for the fiscal year ending June 30, 2012, before transfers in from other funds. After transfers in totaling a net of \$286,043, the General Fund is projecting an excess of expenditures of \$28,594. The enterprise fund is projecting a net operating income of \$154,924 before any transfers and debt payments on revenue bonds.

Financial Contact

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

BASIC FINANCIAL STATEMENTS

TOWN OF COTTONPORT, LOUISIANA
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and interest-bearing deposits	\$228,216	\$711,765	\$939,981
Receivables			
Accounts	0	56,764	56,764
Taxes	39,773	0	39,773
Accrued Interest	0	971	971
Other	26,075	3,897	29,972
Due from other funds	0	70,106	70,106
Restricted assets.			
Cash and interest-bearing deposits	0	55,039	55,039
Capital assets (net of accumulated depreciation)	1,355,828	2,096,964	3,452,811
TOTAL ASSETS	<u>\$1,649,892</u>	<u>\$2,995,526</u>	<u>\$4,645,418</u>
<u>LIABILITIES</u>			
Accounts Payable	\$28,716	\$20,027	\$48,743
Due to other funds	26,688	0	26,688
Payable from restricted assets -			
Customers' deposits	0	55,039	55,039
Capital lease payable	108,080	0	108,080
Revenue bonds payable	0	474,000	474,000
Note payable	41,841	0	41,841
Total Liabilities	<u>203,324</u>	<u>549,066</u>	<u>752,390</u>
NET ASSETS			
Investment in capital assets, net of related debt	1,205,907	1,878,547	3,085,454
Unrestricted	240,660	566,913	807,573
TOTAL NET ASSETS	<u>\$1,446,567</u>	<u>\$2,446,460</u>	<u>\$3,893,027</u>

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

TOWN OF COTTONPORT, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

—Net (Expenses) Revenue and Change in Net Assets—

	Expenses	Charges for Services	Governmental Activities	Business- Type Activities	Total
ACTIVITIES					
Governmental activities					
General government	\$183,157	\$0	\$(183,157)	\$0	\$(183,157)
Public safety				0	
Police	303,860	19,032	(284,829)	0	(284,829)
Fire	94,439	0	(94,439)	0	(94,439)
City Court	8,170	0	(8,170)	0	(8,170)
Streets and bridges	152,806	0	(152,806)	0	(152,806)
Health and sanitation	2,914	0	(2,914)	0	(2,914)
Interest and fiscal charges	8,878	0	(8,878)	0	(8,878)
Total Governmental Activities	754,224	19,032	(735,192)	0	(735,192)
Business-type activities					
Water and Sewer	503,605	679,080	0	175,475	175,475
Total Business-type Activities	503,605	679,080	0	175,475	175,475
Total Town of Cottonport	1,257,829	698,112	(735,192)	175,475	(559,717)
GENERAL REVENUES					
Taxes			244,298	0	244,298
Franchise Fees			120,134	0	120,134
Licenses and permits			78,060	0	78,060
Intergovernmental			147,745	247,004	394,749
Unrestricted investment earnings			0	1,948	1,948
Miscellaneous			30,435	0	30,435
Transfers, net			130,000	(130,000)	0
Total general revenues, special items and transfers			750,672	118,952	869,624
Change in net assets			15,480	294,427	309,907
Net assets beginning of year			1,431,088	2,152,033	3,583,121
Net assets end of year			\$1,446,567	\$2,446,460	\$3,893,027

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

TOWN OF COTTONPORT, LOUISIANA
BALANCE SHEET - GOVERNMENTAL FUNDS AND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

	General Fund	Sales Tax Fund	Volunteer Fire Department Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and interest-bearing deposits	\$118,223	\$31,869	\$77,972	\$153	\$228,216
Receivables					
Taxes	25,541	14,232	0	0	39,773
Accrued interest	0	0	0	0	0
Other	26,075	0	0	0	26,075
Due from other funds	0	0	0	0	0
TOTAL ASSETS	\$169,839	\$46,101	\$77,972	\$153	\$294,064
LIABILITIES					
Accounts Payable	\$26,716	\$0	\$0	\$0	\$26,716
Due to other funds	26,688	0	0	0	26,688
Total liabilities	53,404	0	0	0	53,404
FUND BALANCES					
Restricted for					
Debt Service	0	0	0	0	0
Unassigned	116,435	46,101	77,972	153	240,660
Total fund balances	116,435	46,101	77,972	153	240,660
TOTAL LIABILITIES AND FUND BALANCE	\$169,839	\$46,101	\$77,972	\$153	

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

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

2,322,340

Less accumulated depreciation

(966,512)

1,355,828

Some liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds

(149,921)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$1,446,567

The accompanying notes are an integral part of this financial statement

**TOWN OF COTTONPORT, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund	Sales Tax Fund	Volunteer Fire Department Fund	Other Governmental Funds	Totals Governmental Funds
<u>REVENUES</u>					
Taxes	\$32,901	\$149,210	\$62,188	\$0	\$244,298
Franchise Fees	120,134	0	0	0	120,134
Licenses and permits	78,060	0	0	0	78,060
Intergovernmental	132,292	0	15,453	0	147,745
Fines and forfeits	19,032	0	0	0	19,032
Miscellaneous	27,181	71	3,183	0	30,435
TOTAL REVENUES	409,599	149,281	80,823	0	639,704
<u>EXPENDITURES</u>					
Current -					
General government	164,718	2,937	0	0	167,655
Public Safety					
Police	267,408	0	0	0	267,408
Fire	14,937	0	37,262	0	52,199
City Court	8,001	0	0	0	8,001
Streets and bridges	140,842	0	0	0	140,842
Health and sanitation	2,914	0	0	0	2,914
Capital outlay	83,581	0	0	0	83,581
Debt service -					
Principal retirement	0	0	0	35,182	35,182
Interest and fiscal charges	0	0	0	8,878	8,878
TOTAL EXPENDITURES	682,401	2,937	37,282	44,059	766,659
Excess (deficiency) of revenues over expenditures	(272,801)	146,344	43,581	(44,059)	(126,956)
<u>OTHER FINANCING SOURCES (USES)</u>					
Operating transfers in	280,000	0	0	44,059	324,059
Operating transfers out	(13,957)	(150,000)	(30,102)	0	(194,059)
TOTAL OTHER FINANCING SOURCES (USE)	266,043	(150,000)	(30,102)	44,059	130,000
Excess (deficiency) of revenues over expenditures and other sources (uses)	(6,759)	(3,656)	13,459	0	3,044
FUND BALANCES AT BEGINNING OF YEAR	123,194	49,757	64,513	153	237,616
FUND BALANCES AT END OF YEAR	\$116,435	\$46,101	\$77,972	\$153	\$240,860

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

**TOWN OF COTTONPORT, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Net change in fund balances - Governmental Funds **\$3,044**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital expenditures	75,631
Depreciation expense	(98,377)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal paid	35,182
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Change in net assets of governmental activities	\$15,480
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The accompanying notes are an integral part of this financial statement

**TOWN OF COTTONPORT, LOUISIANA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011**

	Business-type Activities
<u>ASSETS</u>	
Cash and interest-bearing deposits	\$711,765
Receivables	
Accounts	56,764
Other receivables	3,897
Accrued interest	971
Due from other funds	70,106
Restricted assets	
Cash and interest-bearing deposits	55,039
Capital assets (net of accumulated depreciation)	2,096,984
TOTAL ASSETS	\$2,995,526
 <u>LIABILITIES</u>	
Accounts payable	\$20,027
Payable from restricted assets -	
Customers' deposits	55,039
Revenue bonds payable	474,000
 Total Liabilities	 549,066
 <u>NET ASSETS</u>	
Investment in capital assets, net of related debt	1,879,547
Unrestricted	566,913
 TOTAL NET ASSETS	 \$2,446,460

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

**TOWN OF COTTONPORT, LOUISIANA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	Enterprise Fund
<u>OPERATING REVENUES</u>	
Charges for services -	
Water services	\$392,740
Sewer services	179,192
LAWCO water line	107,148
TOTAL OPERATING REVENUES	679,080
<u>OPERATING EXPENSES</u>	
Water department	219,828
Sewer department	119,783
General and administrative	68,798
Depreciation	75,146
TOTAL OPERATING EXPENSES	483,356
OPERATING INCOME (LOSS)	195,724
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest income	1,948
Interest expense	(20,250)
Grant revenues	247,004
TOTAL NONOPERATING REVENUES (EXPENSES)	228,703
INCOME (LOSS) BEFORE OPERATING TRANSFERS	424,427
<u>OPERATING TRANSFERS IN (OUT):</u>	
Operating transfers out	(130,000)
TOTAL OPERATING TRANSFERS	(130,000)
NET INCOME (LOSS)	294,427
NET ASSETS AT BEGINNING OF YEAR	2,152,033
NET ASSETS AT END OF YEAR	\$2,448,460

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

**TOWN OF COTTONPORT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	Enterprise Fund
Cash flows from operating activities	
Receipts from customers	\$698,932
Payments to suppliers	(325,583)
Payments to employees for salaries and benefits	(130,690)
Net cash provided by operating activities	242,659
Cash flows from noncapital financing activities:	
Due from other funds	(40,318)
Net increase (decrease) in bonds payable	(26,000)
Operating transfers to other funds	(130,000)
Net cash provided by/(used) for noncapital financing activities	(196,319)
Cash flows from capital and related financing activities	
Purchase of Capital Assets	(295,662)
Non-recurring grant revenues	247,004
Net cash provided by/(used) for capital and related financing activities	(48,658)
Cash flows from investing activities:	
Interest received from interest bearing deposits	1,948
Interest paid	(20,250)
Net cash provided by/(used) for investing activities	(18,302)
Net increase (decrease) in cash and cash equivalents	(20,620)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	787,424
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$766,804
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$195,724
Adjustment to reconcile net income to net cash provided by operating activities	
Depreciation	75,146
Changes in assets and liabilities	
(increase) decrease in accounts receivable	14,762
(increase) decrease in other receivables	125
Increase (decrease) in accounts payable	(48,065)
Increase (decrease) in customer deposits	4,965
Net cash provided by/(used) for operating activities	\$242,659

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

**TOWN OF COTTONPORT, LOUISIANA
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011**

	Agency Funds
<u>ASSETS</u>	
Cash and interest-bearing deposits	\$26,109
Prepaid, deferred items	<u>21,952</u>
TOTAL ASSETS	<u>\$48,061</u>
<u>LIABILITIES</u>	
Accounts payable	\$4,643
Due to other funds	<u>43,418</u>
TOTAL LIABILITIES	<u>48,061</u>
NET ASSETS	<u>\$0</u>

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

TOWN OF COTTONPORT, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

INTRODUCTION

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

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

Financial Reporting Entity

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

1. Appointing a voting majority of an organization's governing body, and,
 - a. The ability of the Town to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town.
2. Organizations, to which the Town does not appoint a voting majority, but are fiscally dependent on the Town.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Implementation of New Accounting Standards

For the fiscal year ended June 30, 2011, the Town of Cottonport, Louisiana implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments* (GASB 34). This statement affects the manner in which the Town records transactions and presents financial information.

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Statement of Net Assets-The statement of net assets is designed to display the financial position of the Primary Government (governmental and business-type activities). The Town reports capital assets in the government-wide statement of net assets and reports depreciation expense-the cost of "using up" capital assets-in the statement of activities. The net assets of the Town are broken down into three categories-1) Invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted.

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

B Basic Financial Statements

Basic financial statements consist of the following:

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

C Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

The Town reports the following major governmental funds

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The Town reports the following major proprietary fund

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

Additionally, the Town reports the following fund types

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D Budgets and Budgetary Accounting

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

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

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

E Deposits and Investments

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F Cash Flow Presentation

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

G Bad Debts

Uncollectible amounts due for ad valorem taxes and customers' utility receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. No allowance for uncollectible amounts was made due to the immateriality at June 30, 2011

H Due to and Due from Other funds

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

I Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets Long-Term obligations of the Town consisted of a Certificate of Indebtedness, Series 1998, that was completely paid at June 30, 2011

J Accumulated Unpaid Vacation and Other Employee Benefits

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

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

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

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

At June 30, 2011, vested leave benefits have not been accrued as required by GASB Statement No 16 "Accounting for Compensated Absences", due to immateriality

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K Capital Assets

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

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

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

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

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

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

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

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

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

L. Fund Equity

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

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

NOTE 2. CASH AND CASH EQUIVALENTS

Under state law, the Town may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Town may invest in certificates and time deposits of the state banks organized under Louisiana law and national banks having principal offices in Louisiana. At June 30, 2011, the Town had cash and cash equivalents (book balance) totaling \$1,008,204 as follows:

Demand deposits	\$ 921,104
Time deposits	<u>100,025</u>
Total	<u>\$1,021,129</u>

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Town's deposits may not be recovered or will not be able to recover collateral securities that are in the possession of an outside party. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balance) must be secured by federal deposit insurance or similar federal security 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 Town or the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at June 30, 2011, are secured as follows:

Federal deposit insurance	\$ 670,831
Pledged securities	<u>502,934</u>
Total	<u>\$1,173,765</u>

As of June 30, 2011, the Town's total bank balances were fully insured and collateralized with securities held in the name of the Town by the pledging financial institution's agent and, therefore, not exposed to custodial credit risk.

NOTE 3. INVESTMENTS

At June 30, 2011, the Town held investments totaling \$100,025 in 180 day certificates of deposit. These investments are stated at cost, which approximate market, and are secured from risk by federal deposit insurance (see note 2).

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

NOTE 4. RECEIVABLES

Receivables totaling \$56,528, in the general fund consisted of the following at June 30, 2011

Due from other governmental agencies	
Video Poker Revenue	\$ 1,931
Casino Gaming Revenue	7,718
Beer Tax	1,043
Housing Authority in lieu of taxes	12,349
DOTD Maintenance fees	<u>2,500</u>
Total	<u>\$25,541</u>
Other Receivables	
Franchise Fees	\$24,024
Ad Valorem Taxes	248
NSF Check Receivable	<u>1,803</u>
Total	<u>\$26,075</u>

In the enterprise fund unbilled utility receivables were immaterial at June 30, 2011 Billed receivables balances at June 30, 2011 consisted of the following.

	<u>Water and Sewer System</u>
<u>Utility Billings</u>	
Current billings	\$54,361
Over 30 days	<u>2,403</u>
	<u>\$56,764</u>

NOTE 5. INTERFUND RECEIVABLES, PAYABLES

The following is a summary of interfund receivable and payable balances at June 30, 2011.

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 0	\$ 26,688
Enterprise Fund	70,106	0
Agency Funds	<u>0</u>	<u>43,418</u>
Totals	<u>\$ 70,106</u>	<u>\$ 70,106</u>

NOTE 6. RESTRICTED ASSETS – PROPRIETARY FUND TYPE

Restricted assets were applicable to the following at June 30, 2011

Customer Meter Deposits	<u>\$55,039</u>
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**TOWN OF COTTONPORT, LOUISIANA
NOTES TO FINANCIAL STATEMENTS, (Continued)**

NOTE 7. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2011, are as follows

	Balance 06/30/2010	Additions	Deletions	Balance 06/30/2011
Governmental activities:				
<u>Capital assets not being depreciated</u>				
Land and Improvements	\$ 101,031	\$ -	\$ -	\$ 101,031
Construction in Progress	21,121	-	(1,121)	20,000
Total capital assets not being depreciated	\$ 122,152	\$ -	\$ (1,121)	\$ 121,031
<u>Capital assets being depreciated</u>				
Buildings and Improvements	\$ 1,165,459	\$ 2,526	\$ -	\$ 1,167,985
Furniture, Fixtures, and Equipment	318,464	1,013	(8,343)	311,134
Vehicles and Tractors	640,634	82,568	(1,013)	722,189
Total capital assets being depreciated	\$ 2,124,557	\$ 86,107	\$ (9,355)	\$ 2,201,309
<u>Less accumulated depreciation for</u>				
Buildings and Improvements	\$ 381,409	\$ 29,409	\$ -	\$ 410,818
Furniture, Fixtures, and Equipment	236,919	17,228	-	254,147
Vehicles and Tractors	249,807	51,740	-	301,547
Total accumulated depreciation	\$ 868,135	\$ 98,377	\$ -	\$ 966,512
Total Capital assets being depreciated, net	\$ 1,256,422			\$ 1,234,797
For the year ended June 30, 2011, depreciation expense was \$98,377				
Business-type activities:				
<u>Water department.</u>				
Construction in progress	\$ 75,825	\$ 252,379	\$ -	\$ 328,204
Water lines, well and extensions and equipment	2,019,148	-	-	2,019,148
Total Capital assets being depreciated, net	\$ 2,104,218	\$ 43,283	\$ -	\$ 2,147,501
<u>Sewer department</u>				
Treatment facility, lines and equipment	2,104,218	43,283	-	2,147,501
Total Capital assets being depreciated, net	\$ 4,199,191	\$ 295,662	\$ -	\$ 4,166,649
Less accumulated depreciation	(2,322,723)	(75,146)	-	(2,397,869)
Total business-type assets being depreciated, net	\$ 1,876,468			\$ 1,768,780
For the year ended June 30, 2011, depreciation expense was \$75,146				

NOTE 8. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transaction for the Town for the year ended June 30, 2011.

	General Obligation	Revenue Bonds
Payable at June 30, 2010	\$ 185,103	\$ 500,000
Add New Debt Issued	-	-
Less Payments Made	35,182	26,000
Payable at June 30, 2011	\$ 149,921	\$ 474,000

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

NOTE 8. CHANGES IN LONG-TERM DEBT continued

Debt issues are comprised of the following

General Obligation-

The Town of Cottonport entered into a loan agreement with Capital One to finance the portion of the Town's match on the sidewalk project completed in 2008. The loan was entered into on November 1, 2009, at a rate of 6.21% for a sixty month term. The annual payments to amortize this debt including interest payments of \$4,572 are as follows:

<u>Year Ending June 30</u>	
2012	\$13,957
2013	13,957
2014	13,957
2015	<u>4,542</u>
	<u>\$46,413</u>

The Town of Cottonport entered into a lease agreement as lessee for the financing of a new fire truck for the Cottonport Volunteer Fire Department in the amount of \$175,984. The lease agreement qualifies as a capital lease for accounting purposes (lease contains an option to purchase the leased property) and therefore, has been recorded at the present value of the future minimum payments as of the date of its inception. The carrying value of the asset under the capital lease is \$189,575. The following is a schedule of future minimum lease payments under this capital lease, and the present value of the net minimum lease payments as of June 30, 2011:

<u>Year Ending June 30</u>	
2012	\$ 30,102
2013	30,102
2014	30,102
2015	<u>30,102</u>
	120,408
Less: amount representing interest	<u>(12,328)</u>
Present value of future lease payments	<u>\$108,080</u>

Revenue Bonds-

The Town of Cottonport issued Water Revenue Bonds, Series 2010 on May 12, 2010, to fund the construction of a new water well. The bonds bear interest rates ranging from 2.25% to 4.8% on \$414,000 and no interest on \$60,000 of the bonds. The annual requirements to amortize the revenue bonds including interest payments of \$158,728 are as follows:

<u>Year Ending June 30</u>	
2012	\$ 44,535
2013	44,211
2014	44,829
2015	44,400
2016-2025	<u>454,753</u>
	<u>\$632,728</u>

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

NOTE 9 CHANGES IN AGENCY FUND

The following is a summary of changes in assets and liabilities of the Agency Fund for the year ended June 30, 2011

Assets	Balance 7/1/2010	Additions	Deletions	Balance 6/30/2011
Cash	\$10,863	\$978,464	\$963,218	\$26,109
Prepaid, deferred items	135	21,817	0	21,952
	<u>\$10,998</u>	<u>\$1,000,281</u>	<u>\$963,218</u>	<u>\$48,061</u>
 Liabilities				
Payroll taxes payable	\$2,854	\$254,849	\$255,054	\$2,649
Retirement payable	1,517	26,705	26,228	1,994
Due to other funds	6,627	983,014	946,223	43,418
	<u>\$10,998</u>	<u>\$1,264,568</u>	<u>\$1,227,505</u>	<u>\$48,061</u>

NOTE 10. AD VALOREM TAXES

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

For the year ended June 30, 2011, taxes of 5.68 mills were levied on property with assessed valuations totaling \$5,831,630 and were dedicated as follows:

General corporate purposes 5.68 mills

Total taxes levied were \$33,124. Taxes receivable at June 30, 2011, were \$248.

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

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

NOTE 12. WATER PURCHASE CONTRACTS

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

1. Louisiana Water Company (LAWCO) – Contract dated July 1, 2009, requiring the Town of Cottonport to supply water for resale in Mansura, Louisiana for a period of fifteen (15) years at a rate of \$1.63 per 1,000 gallons with a minimum of \$500 per month.
2. Louisiana Correctional Facilities Corporation – Verbal agreement requiring the Town of Cottonport to supply water for resale to the Medium Security Prison in Cottonport at a rate of \$1.42 per 1,000 gallons.

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

NOTE 13. ROAD MAINTENANCE AGREEMENT

On July 1, 1998 the Town of Cottonport entered into a maintenance agreement with the Department of Transportation and Development for one-year period whereby the Town will maintain its municipal streets and roads, including mowing and litter pickup, and the Department of Transportation and Development will reimburse the Town with semi-annual payments totaling \$5,000, which was determined at a rate of \$1,000 per mile for five miles of undivided streets per year. This contract is renewed on an annual basis.

NOTE 14. SALES TAX COLLECTION AGREEMENT

On June 5, 1992, the Town of Cottonport entered into an intergovernmental agreement with the Avoyelles Parish School Board for a one year period commencing on July 1, 1992, whereby the School Board will collect the sales and use taxes, including interest, penalties, fees and cost, levied by the Town of Cottonport under the Town's ordinances for a monthly fee of 1.5 percent of the gross tax revenues collected by the School Board. The School Board will remit collections to the Town on a monthly basis no later than the 10th day of each month after reasonable and necessary cost and expenses of collection in administration of the taxes have been deducted, including the collection fee. This contract automatically renewed for an additional consecutive one-year period commencing July 1, 2009.

NOTE 15. FRANCHISE AGREEMENTS

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

1. Central Louisiana Electric Company, Inc. (CLECO) – effective October 9, 1985, for a period of thirty (30) years. Franchise fee is based on four percent (4%) of the gross receipts from the sale and delivery of electric energy for residential and commercial purposes billed on commercial and residential rates within the Town. Fees payable quarterly within thirty (30) days of the end of the quarter. Other franchise provisions are as follows:
 - A. Franchise payments will be reduced in an amount equal to the sum of any new or increased taxes of any nature whatsoever levied by the municipality and payable to CLECO (except uniform ad valorem taxes, based on property values).
 - B. CLECO will provide free electric services to the Town and reduce street light rates until November 1988. Thereafter, prevailing commercial rates shall apply and street light rates will increase.
2. SuddenLink Cable – effective June 10, 2009 for a period of fifteen (15) years. The franchise fee is based on five percent (5%) of gross subscription receipts, less sales taxes, federal excise tax and copyright fees, received by the company within the Town limits. Fees are payable to the Town quarterly, by the 10th of the following month.
3. Reliant Energy Entex (formerly Entex) – effective July 12, 1995, for a period of fifteen (15) years. Franchise fee is based on four percent (4%) of the gross receipts from the sale of gas for residential and commercial purposes billed on residential and commercial rates within the limits of the Town. Fees are payable on or before the 10th of each February.
4. CenturyTel (formerly Central Louisiana Telephone Company) – effective January 1, 1994, for a period of twenty-five (25) year. The franchise fee is based on five percent (5%) of the approved tariff rate for local access line telephone service provided by the Company within the corporate limits of the Town and the Company shall provide free to the Town three (3) local access lines. Fees are payable no later than sixty (60) days after the end of each calendar quarter.

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

NOTE 16. FUNDING COMMITMENTS

In July 2007, the Town requested funding from the State of Louisiana for the construction of an access road and water and sewer lines for the Prinson Access Road/F P Bordelon Road to accommodate planned expansion of the plant facilities there. As of the date of this report, the funding that had been awarded in the amount of \$600,000, expired since the plant expansion project had been postponed indefinitely.

NOTE 17. PENSION PLANS

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

Municipal Employee's Retirement System of Louisiana (System)

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

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

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

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

NOTE 17. PENSION PLANS (Continued)

Funding Policy Under Plan B, members are required to contribute 5.00% of their annual covered salary to the system while the Town is required to contribute at an actuarially determined rate. Beginning July 1, 2008, the rate is set at 6.75% of the total annual covered salary. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the system for the year ended June 30, 2011, was \$8,409 equal to the required contribution for the year.

Municipal Police Employees Retirement System of Louisiana (System)

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

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

Funding Policy. Plan members are required by state statute to contribute 7.5% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is set at 9.5% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town made no contributions to the System for the year ended June 30, 2011, since no one participated in the plan.

NOTE 18. CONTINGENT LIABILITIES

There are currently several pending matters against the Town that are being handled by the Town's insurance carrier or Attorney. The outcome of these matters is uncertain at this time, however, in legal counsel's opinion they should be adequately covered by insurance. There are also no known unasserted claims that the Town is aware of as of the date of this report.

(Concluded)

REQUIRED SUPPLEMENTAL INFORMATION (PART II)

**TOWN OF COTTONPORT, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES</u>				
Taxes	\$31,000	\$31,000	\$32,901	\$1,901
Franchise fees	112,000	112,000	120,134	8,134
Licenses and permits	63,220	63,220	78,060	14,840
Intergovernmental	123,700	123,700	132,292	8,592
Fines and forfeits	36,000	36,000	19,032	(16,968)
Miscellaneous	<u>22,020</u>	<u>43,020</u>	<u>27,181</u>	<u>(15,839)</u>
TOTAL REVENUES	<u>387,940</u>	<u>408,940</u>	<u>409,599</u>	<u>659</u>
<u>EXPENDITURES</u>				
General government	171,385	187,785	164,718	23,067
Public safety:				
Police	265,963	248,444	267,408	(18,964)
Fire	12,200	12,900	14,937	(2,037)
City Court	4,700	4,700	8,001	(3,301)
Streets and bridges	154,100	154,100	140,842	13,258
Health and sanitation	0	0	2,914	(2,914)
Capital outlay	<u>90,723</u>	<u>90,723</u>	<u>83,581</u>	<u>7,142</u>
TOTAL EXPENDITURES	<u>699,071</u>	<u>698,652</u>	<u>682,401</u>	<u>16,251</u>
Deficiency of revenues over expenditures	<u>(311,131)</u>	<u>(289,712)</u>	<u>(272,801)</u>	<u>16,911</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating transfers in	296,000	296,000	280,000	(16,000)
Operating transfers out	<u>0</u>	<u>0</u>	<u>(13,957)</u>	<u>(13,957)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>296,000</u>	<u>296,000</u>	<u>266,043</u>	<u>(29,957)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$(15,131)</u>	<u>\$6,288</u>	<u>(6,759)</u>	<u>\$(13,047)</u>
FUND BALANCES AT BEGINNING OF YEAR			<u>123,194</u>	
FUND BALANCES AT END OF YEAR			<u>\$116,435</u>	

The accompanying notes are an integral part of this financial statement

**TOWN OF COTTONPORT, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
SALES TAX FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES</u>				
Taxes	\$160,000	\$160,000	\$149,210	\$(10,790)
Miscellaneous	70	70	71	1
TOTAL REVENUES	160,070	160,070	149,281	(10,789)
<u>EXPENDITURES</u>				
General government				
Collection Fee	2,988	2,988	2,925	63
Miscellaneous	12	12	12	0
Total general government expenditure	3,000	3,000	2,937	63
Excess (deficiency) of revenues over expenditures	157,070	157,070	148,344	(10,726)
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating transfers out	(160,000)	(160,000)	(150,000)	10,000
TOTAL OTHER FINANCING SOURCES (USES)	(160,000)	(160,000)	(150,000)	10,000
Excess (deficiency) of revenues over expenditures and other sources (uses)	\$(2,930)	\$(2,930)	(3,656)	\$(726)
FUND BALANCES AT BEGINNING OF YEAR			49,757	
FUND BALANCES AT END OF YEAR			\$46,101	

**TOWN OF COTTONPORT, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
VOLUNTEER FIRE DEPARTMENT FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES</u>				
Taxes	\$58,000	\$58,000	\$62,188	\$4,188
Intergovernmental	17,000	17,000	15,453	(1,547)
Miscellaneous	1,200	1,200	3,183	1,983
TOTAL REVENUES	76,200	76,200	80,823	4,623
<u>EXPENDITURES</u>				
Public safety:				
Fire	30,000	30,000	37,262	(7,262)
Capital outlay	15,000	15,000	0	15,000
TOTAL EXPENDITURES	45,000	45,000	37,262	7,738
Excess (deficiency) of revenues over expenditures	31,200	31,200	43,561	12,361
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating transfers in	0	0	0	0
Operating transfers out	(30,102)	(30,102)	(30,102)	(0)
TOTAL OTHER FINANCING SOURCES (USES)	(30,102)	(30,102)	(30,102)	(0)
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$1,098</u>	<u>\$1,098</u>	13,459	<u>\$12,361</u>
FUND BALANCES AT BEGINNING OF YEAR			<u>64,513</u>	
FUND BALANCES AT END OF YEAR			<u>\$77,972</u>	

The accompanying notes are an integral part of this financial statement

**TOWN OF COTTONPORT, LOUISIANA
NOTES TO BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2011**

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

OTHER SUPPLEMENTAL INFORMATION

**TOWN OF COTTONPORT, LOUISIANA
GENERAL FUND
DETAILED STATEMENT OF REVENUES COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2011**

	Final Budget	Actual	Variance - Favorable (Unfavorable)
<u>TAXES</u>			
Ad Valorem Taxes	\$31,000	\$32,901	\$1,901
TOTAL TAXES	31,000	32,901	1,901
<u>FRANCHISE FEES:</u>			
Cleco Franchise	65,000	76,902	11,902
Entex Franchise	16,000	16,038	38
Galaxy Cable Franchise Fee	21,000	17,967	(3,033)
Telephone Franchise Fee	10,000	9,227	(773)
TOTAL FRANCHISE FEES	112,000	120,134	8,134
<u>LICENSES AND PERMITS</u>			
Occupational Licenses	60,000	74,875	14,875
Building Permits	100	70	(30)
Liquor Permits	3,000	3,025	25
Moving Permits	120	90	(30)
TOTAL LICENSES AND PERMITS	63,220	78,060	14,840
<u>INTERGOVERNMENTAL</u>			
Beer taxes	6,200	8,263	2,063
Housing Authority -In Lieu Tax	9,800	15,392	5,592
DOTD Road Maintenance	5,000	2,500	(2,500)
Video Poker Revenue	13,000	18,837	3,837
State Grants	63,700	0	(63,700)
Casino Revenue	28,000	25,549	(451)
USDA Police Car	0	63,750	63,750
TOTAL INTERGOVERNMENTAL	123,700	132,292	8,592
<u>FINES AND FORFEITS</u>			
Fines	30,000	15,117	(14,883)
Court Cost	6,000	3,915	(2,085)
TOTAL FINES AND FORFEITS	36,000	19,032	(16,968)
<u>MISCELLANEOUS</u>			
Late Charges	70	43	(27)
Excise Tax Refund	3,700	4,422	722
Grass cutting	250	775	525
Xerox Copies	0	48	48
Rental Income - Community Cen	0	3,803	3,803
Miscellaneous Income	0	269	269
Inter-Club Christmas Revenue	4,000	2,991	(1,009)
Museum Revenue	17,000	1,460	(15,540)
First Responder's Revenue	0	1,000	1,000
Accident Report	1,000	720	(280)
Rental Income - Community Cen	4,000	300	(3,700)
Miscellaneous Income	12,000	10,204	(1,796)
Park Family Fun	900	1,040	140
Interest Income	100	108	6
TOTAL MISCELLANEOUS	43,020	27,181	(15,839)
TOTAL REVENUES	\$408,940	\$409,599	\$660

**TOWN OF COTTONPORT, LOUISIANA
GENERAL FUND
DETAILED STATEMENT OF FUNCTIONAL EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2011**

	Final Budget	Actual	Variance - Favorable (Unfavorable)
<u>GENERAL GOVERNMENT</u>			
G & A Salanes	\$73,585	\$53,145	\$20,440
G & A Payroll Taxes	5,000	3,991	1,009
G & A Employee Benefits	12,000	27,117	(15,117)
Legal & Auditing	16,000	5,942	10,058
Insurance	13,000	9,324	3,676
Assessor Fees	1,000	1,076	(76)
Miscellaneous Exp	3,000	0	3,000
Museum Expense	15,000	12,259	2,741
Engineering Fees	0	1,503	(1,503)
Office Supply & Postage	8,000	7,817	183
Publications & Printing	2,500	1,639	861
Dues & Subscriptions	2,700	1,817	883
Town Hall Expenses	4,000	2,616	1,384
Telephone Expense	4,800	5,436	(636)
Repairs & maintenance	0	1,073	(1,073)
Coroner's fees	0	400	(400)
Utilities	4,000	4,777	(777)
Community Center Expenses	3,000	5,576	(2,576)
Travel	5,000	3,403	1,597
Bank Service Charge	100	46	54
Park Expenses	1,000	2,241	(1,241)
Xerox Copier Lease Payments	1,600	0	1,600
Xerox Copier Rental Payments	0	1,682	(1,682)
Christmas Decoration Expense	2,000	3,714	(1,714)
Christmas Fireworks Expense	3,000	1,500	1,500
Christmas Festival Misc Expen	3,000	1,529	1,471
Inter-Club Christmas Expense	4,000	2,523	1,477
Park Family Fun Expense	300	1,161	(861)
Veteran's Memorial Expenses	0	413	(413)
Reapportionment Expense	0	1,000	(1,000)
Bike Program Expense	200	0	200
TOTAL GENERAL GOVERNMENT	187,785	164,718	23,067
 <u>PUBLIC SAFETY:</u>			
<u>POLICE</u>			
Salaries	122,000	136,567	(14,567)
Salaries	29,744	29,744	0
Payroll Taxes	15,000	14,715	285
Employee Benefits	10,300	17,182	(6,882)
Patrol Car Expenses	35,000	39,782	(4,782)
Uniforms	3,000	1,587	1,413
Insurance	19,500	19,451	49
Material & Supplies	1,500	2,347	(847)
Telephone Expense	2,000	2,767	(767)
Miscellaneous Expense	8,000	136	7,864
Utilities	2,300	2,426	(126)
Repairs & maintenance	0	445	(445)
Training	0	260	(260)
Engineering fees	100	0	100
TOTAL POLICE	248,444	267,408	(18,964)

**TOWN OF COTTONPORT, LOUISIANA
GENERAL FUND
DETAILED STATEMENT OF FUNCTIONAL EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2011**

	Final Budget	Actual	Variance - Favorable (Unfavorable)
<u>PUBLIC SAFETY (CONTINUED)</u>			
FIRE			
Salaries	\$3,900	\$3,900	\$0
Payroll Taxes	300	298	2
Employee Benefits	300	285	15
Truck Expense	400	1,206	(806)
Insurance	1,000	848	154
Telephone Expense	1,000	916	84
Miscellaneous Expense	1,000	860	140
Utilities - CVFD	5,000	5,852	(852)
First Responders	0	773	(773)
TOTAL FIRE	12,900	14,937	(2,037)
CITY COURT			
Magistrate Fees	1,200	1,100	100
Office Supplies/postage	0	221	(221)
Prisoner Rations	2,000	5,535	(3,535)
Miscellaneous Expense	1,500	1,057	443
Police travel expense	0	87	(87)
TOTAL CITY COURT	4,700	8,001	(3,301)
<u>STREETS AND BRIDGES</u>			
Salaries	65,000	53,716	11,284
Payroll Taxes	5,000	4,567	433
Employee Benefits	12,000	14,667	(2,667)
Truck/Backhoe Expense	5,000	8,638	(3,638)
Tractor Expenses	2,000	2,871	(871)
Materials & Supplies	10,000	8,288	1,712
Repairs & Maintenance	1,500	3,704	(2,204)
Engineering Fees	200	0	200
Vapor Lights	30,000	30,229	(229)
Fountain Expense	2,800	3,245	(445)
Misc Expense	9,000	0	9,000
Uniforms	800	933	(333)
Insurance	11,000	8,133	2,867
Equipment rental - streets	0	1,842	(1,842)
Tar Machine Lease Payments	0	209	(209)
TOTAL STREETS AND BRIDGES	154,100	140,842	13,258

**TOWN OF COTTONPORT, LOUISIANA
GENERAL FUND
DETAILED STATEMENT OF FUNCTIONAL EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2011**

	Final Budget	Actual	Variance - Favorable (Unfavorable)
<u>HEALTH AND SANITATION</u>			
Pest Control	\$0	\$250	\$(250)
Solid Waste Disposal	0	1,664	(1,664)
First Responder's Expense	0	1,000	(1,000)
TOTAL HEALTH AND SANITATION	0	2,914	(2,914)
<u>CAPITAL OUTLAY</u>			
Capital Outlay	200	1,013	(813)
Capital Outlay - Streets	20,000	0	20,000
Capital Outlay - Police	70,523	82,568	(12,045)
TOTAL CAPITAL OUTLAY	90,723	83,581	7,142
TOTAL EXPENDITURES	\$698,652	\$682,401	\$16,252

**TOWN OF COTTONPORT, LOUISIANA
 PROPRIETARY FUND TYPE
 ENTERPRISE FUND
 STATEMENT OF OPERATING EXPENSES BY DEPARTMENT
 BUDGET (GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011**

	Final Budget	Actual	Variance - Favorable (Unfavorable)
<u>WATER DEPARTMENT</u>			
Salaries	\$34,000	\$20,981	\$13,019
Payroll Taxes	3,000	1,604	1,396
Employee Benefits	10,000	11,056	(1,056)
Materials & Supplies	24,000	6,220	17,780
Chemicals	30,000	28,181	3,839
Trucks/Backhoes Expenses	6,200	5,592	608
Repairs & Maintenance	17,600	21,560	(3,960)
Telephone Expense	4,600	4,095	505
Utilities	80,000	87,215	(7,215)
Insurance	17,000	13,073	3,927
Miscellaneous	10,000	591	9,409
Bad Debt Expense	100	0	100
Uniforms	600	436	164
Engineering Fees	5,000	17,256	(12,256)
Test Wells	1,200	3,789	(2,589)
Depreciation	51,600	36,816	14,784
TOTAL WATER DEPARTMENT	\$294,900	\$258,444	\$38,456
<u>SEWER DEPARTMENT</u>			
Salaries	\$30,000	\$36,329	\$(6,329)
Payroll Taxes	3,000	2,299	701
Employee Benefits	4,000	4,835	(835)
Materials & Supplies	10,000	2,479	7,521
Chemicals	10,000	9,132	868
Trucks/Backhoes Expense	8,000	10,555	(2,555)
Repairs & Maintenance	22,000	14,034	7,966
Insurance	9,000	10,165	(1,165)
Miscellaneous	11,500	1,474	10,026
Utilities	20,000	24,774	(4,774)
Meter Replacement	5,000	0	5,000
Uniforms	400	3,057	(2,657)
Engineering Fees	0	650	(650)
Depreciation	44,200	38,330	5,870
TOTAL SEWER DEPARTMENT	\$177,100	\$158,113	\$18,987
<u>GENERAL AND ADMINISTRATIVE</u>			
G & A Salaries	\$41,050	\$47,368	\$(6,318)
G & A Payroll Taxes	4,000	3,609	391
G&A Employee Benefits	8,000	2,610	5,390
Legal & Auditing	0	7,483	(7,483)
Office Supply & Postage	3,000	5,837	(2,837)
Bank Service Charges	50	140	(90)
Miscellaneous	0	1,750	(1,750)
TOTAL GENERAL AND ADMINISTRATIVE	\$56,100	\$68,798	\$(12,698)

**TOWN OF COTTONPORT, LOUISIANA
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011**

	Debt Service Fund	Capital Projects Fund	Totals Non-Major Governmental Funds
<u>ASSETS</u>			
Cash and interest-bearing deposits	\$0	\$153	\$153
TOTAL ASSETS	0	153	153
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities	0	0	0
TOTAL LIABILITIES	0	0	0
 <u>FUND BALANCES</u>			
Reserved for debt service	0	0	0
Unreserved, unrestricted	0	153	153
TOTAL LIABILITIES AND FUND BALANCES	\$0	\$153	\$153

**TOWN OF COTTONPORT, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	Debt Service Fund	Capital Projects Fund	Total Non-Major Governmental Funds
<u>REVENUES</u>			
Taxes	\$0	\$0	\$0
Intergovernmental	0	0	0
Miscellaneous	0	0	0
TOTAL REVENUES	0	0	0
<u>EXPENDITURES</u>			
General government	0	0	0
Capital outlay	0	0	0
Debt service	44,059	0	44,059
TOTAL EXPENDITURES	44,059	0	44,059
Excess (deficiency) of revenues over expenditures	(44,059)	0	(44,059)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating transfers in	44,059	0	44,059
Operating transfers out	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	44,059	0	44,059
Excess (deficiency) of revenues and other sources			
FUND BALANCES AT BEGINNING OF YEAR	0	153	153
FUND BALANCES AT END OF YEAR	\$0	\$153	\$153

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

A detail of compensation paid to individual elected officials for the year ended June 30, 2011, follows

	<u>Compensation</u>	<u>Term Expires/Expired</u>
Cleveland Carmouche, Jr., Mayor	6,000	12/31/12
Council Members		
Curtis J Francisco, Mayor Pro-Tem	2,400	12/31/12
Margaret Prater-Jenkins	2,400	12/31/12
Kenneth W Friels	2,400	12/31/12
Luke L Welch	2,400	12/31/12
Brenda L Bazile	2,400	12/31/12
Gerald J Mayeux, Chief of Police	<u>35,744</u>	12/31/12
 Total	 <u>\$53,744</u>	

OTHER REPORTS REQUIRED BY GOVERNMENTAL AUDITING STANDARDS

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

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

We have audited the basic financial statements of the Town of Cottonport, Louisiana, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 8, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Cottonport, Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion of the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Cottonport's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

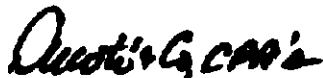
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting identified as 11-01. 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.

Compliance

As part of obtaining reasonable assurance about whether Town of Cottonport, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that is required to be reported under *Government Auditing Standards* and which we described in the accompanying schedule of findings and responses as items 11-02 and 07-02.

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



DUCOTE & COMPANY

Marksville, Louisiana

February 10, 2012

**TOWN OF COTTONPORT, LOUISIANA
Summary of Findings, and Responses
For the Year Ended June 30, 2011**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued	Unqualified	
Internal control over financial reporting		
Material weakness(s) identified?	_____yes	___x___no
Reportable condition(s) identified not		
Considered to be material weakness(s)	___x___yes	_____no
Noncompliance material to financial statements noted?	_____yes	___x___no

Federal Awards

Not applicable for the fiscal year ended June 30 2011

Section II-Financial Statement Findings

There is one finding applicable to internal control labeled 11-01, and two findings relative to compliance labeled 11-02 and 07-02 as discussed in detail in Section IV

Section III – Federal Award Findings and Questioned Costs

Not applicable for the fiscal year ended June 30, 2011

TOWN OF COTTONPORT, LOUISIANA
Summary of Findings and Responses (Continued)
For the Year Ended June 30, 2011

Section IV – Summary of Current Year Audit Findings

Internal Control and Compliance Material to the Financial Statements

Finding 11-01: Prior period adjustments made to cash accounts resulted in cash reconciliation errors.

Condition Found: Adjustments entered for prior periods that were posted to the cash accounts resulted in differences between the reconciled cash balances and the general ledger balances on these accounts at the end of the fiscal year

Cause: The accounting system does not allow for prior period adjustments to be made to accounting periods that have already been reconciled and closed. Adjustments made in the current year had to be reversed out and re-entered in a period that had not yet been closed. The year-end trial balances had to be adjusted to correct these postings for the current year.

Recommendation: In the future, all adjustments that affect cash account balances should only be posted in a month that has not yet been reconciled and closed.

Management's Response and Corrective Action Plan: The accounting personnel were not aware that prior period adjustments could not be made. In the future, any adjustments to the cash accounts to void checks, correct postings, etc. will only be made in an open period to avoid this problem in the future.

Finding 11-02: Failure to submit financial statements timely

Condition Found: The Town did not file its annual financial statements within the six month time frame required by State Law.

Cause: The audit was delayed due to errors explained in finding 11-01, which required additional work to identify and correct the prior year adjustments. The audit was completed before the due date, however, due to scheduling conflicts and the delay in receiving the attorney's letter, the report was not able to be released until after the due date.

Recommendation: It is always recommended that state imposed deadlines be adhered to barring any unforeseen circumstances.

Management's Response and Corrective Action Plan: The delay of the release of the audit report was out of management's control and could not be avoided. The Town will make every attempt to file all reports in the future timely.

TOWN OF COTTONPORT, LOUISIANA
Summary of Findings and Responses (Continued)
For the Year Ended June 30, 2011

Finding 07-02: Lack of sufficient accounting expertise to prepare financial statements

Condition Found: The accounting personnel of the Town, while capable of handling their accounting responsibilities lack sufficient expertise to prepare the annual financial statements with full disclosures as required by Generally Accepted Accounting Procedures (GAAP) and *Governmental Auditing Standards*

Cause: The job requirements do not include a degree in accounting or a sufficient lever of knowledge to prepare GAAP financial statements. The salary and position do not justify this requirement to fill that position and the Town has typically relied on the assistance of the auditor to prepare the financial statements in accordance with required standards.

Recommendation: Adequate involvement and oversight in the preparation of the financial statements whereby accounting personnel fully understand and take responsibility for their fair presentation is mandatory to maintain independence with respect to the auditing firm conducting the audit.

Management's Response and Corrective Action Plan: It is not cost feasible to hire someone with sufficient knowledge and expertise to prepare the financial statements in accordance with the current reporting standards. It is our intention, however, to continue to take responsibility for the preparation of the financial statements by verifying the information contained therein as presented. In addition, the Town will take full responsibility for any audit adjustments proposed by the auditor with full understanding of those adjustments and the disclosures contained in the financial report before its issuance.

TOWN OF COTTONPORT, LOUISIANA
Status of Prior Audit Findings
For the Year Ended June 30, 2011

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

07-02	Lack of sufficient accounting expertise to prepare financial statements	GAAP financial statements were prepared with the assistance of the auditor due to the lack of sufficient accounting expertise by management.	No	
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Section II – Internal Control and Compliance Material to Federal Awards

None reported in prior year

Section III – Management Letter

None reported in prior year