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Town of Cottonport
Annual Financial Statements
As of and for the Year Ended
June 30, 2006

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 12-6-06

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, 2006

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TOWN OF COTTONPORT, LOUISIANA
Annual Financial Statements
As of and for the year ended June 30, 2005

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INDEPENDENT AUDITORS' REPORT

The Honorable Paul A. Gauthier, Mayor
And Members of the Council
Town of Cottonport, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and remaining fund information, which collectively comprise the basic financial statements, of the Town of Cottonport, Louisiana, as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Town of Cottonport, Louisiana's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and major funds, and remaining fund information of the Town of Cottonport, Louisiana, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, of those activities and funds and the budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated October 27, 2006 on our consideration of the Town of Cottonport, Louisiana's internal control over financial reporting and our tests on its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

DUCOTE & COMPANY

Marksville, Louisiana

October 27, 2006

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

Town of Cottonport, Louisiana
Management's
Discussion and Analysis
June 30, 2006

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, 2006 follows:

	Net Assets at Year-end		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Government</u>
Cash and investments	\$ 167,970	\$ 207,886	\$ 375,856
Other assets	74,109	53,117	127,226
Capital assets	994,038	2,176,824	3,170,862
Total assets	<u>\$ 1,236,117</u>	<u>\$ 2,437,827</u>	<u>\$ 3,673,944</u>
Other liabilities	33,303	51,481	84,784
Long-term liabilities	15,000	-	15,000
Total liabilities	<u>48,303</u>	<u>51,481</u>	<u>99,784</u>
Net assets			
Investment in capital assets, Net of related debt	979,038	2,176,824	3,155,862
Restricted	3,620	-	3,620
Unrestricted	205,157	209,522	414,679
Total net assets	<u>\$ 1,187,815</u>	<u>\$ 2,386,346</u>	<u>\$ 3,574,161</u>

During the year ended June 30, 2006, the following significant event changed the balance of net assets: cash and investments decreased by approximately \$4,000 from the prior year. Capital expenditures in the governmental activities funds totaled \$29,276.

Governmental Activities include general government capital assets and long-term debt that previously were not reported prior to the implementation of GASB 34. These additions affect the governmental activities net assets. The net value of the assets and liabilities, \$979,038, was added to net assets.

A condensed version of the Statement Activities follows:

**Governmental and Proprietary Activities
For the year ended June 30, 2006**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Government</u>
<u>Revenues</u>			
Program Revenues:			
Charges for services	\$ 17,906	\$ 586,966	\$ 604,872
General Revenues:			
Taxes	228,446		228,446
Franchise fees	124,027		124,027
Licenses and permits	63,012		63,012
Intergovernmental	129,444		129,444
Unrestricted Investment earnings		3,698	3,698
Miscellaneous	62,697		62,697
Transfers	<u>176,008</u>	<u>(176,008)</u>	<u>-</u>
Total revenues and transfers	<u>801,540</u>	<u>414,656</u>	<u>1,216,196</u>
<u>Expenses</u>			
General government	231,380		231,380
Public safety	303,503		303,503
Streets and bridges	188,669		188,669
Health and sanitation	6,195		6,195
Utility services-Water and Sewer		544,621	544,621
Interest and fiscal charges	<u>3,223</u>	<u>-</u>	<u>3,223</u>
Total Expenses	<u>732,970</u>	<u>544,621</u>	<u>1,277,591</u>
Increase (Decrease) in net assets	<u>\$ 68,570</u>	<u>\$ (129,965)</u>	<u>\$ (61,395)</u>

Governmental activities.

Governmental program expenses were lower than prior year by roughly \$20,000 and revenues were higher by \$46,000 resulting in an overall \$66,000 increase in net assets over the prior year. The net positive results in governmental activities is largely due to the increase in transfers in from other funds during the fiscal year. A total of \$176,000 was transferred in as compared to \$101,000 from the prior year. Without this increase in transfers in, operational results in the governmental fund activities would be about the same as the prior year.

Business-type activities.

The water and sewer fund had an operating loss for the year after transfers out to other funds totaling \$130,000, which represents a \$46,000 increase over the prior year. Revenues in the enterprise fund were up from the prior year by approximately \$30,000. Expenses were up by approximately \$4,000 due largely to increased utility costs. Transfers to other funds increased by \$75,000 over the prior year also.

Budgetary Highlights

Over the course of the year the Town Council revised the budget only once resulting in an overall increase of budgeted revenues by \$36,500. In total, the general fund's expenditures were \$53,064 more than budgeted and revenues were \$66,114 more than budgeted for a total net favorable budget variance of \$13,050. After operating transfers in of \$336,008, the general fund finished the year with an overall favorable budget variance of \$94,058.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2006 the Town had \$5,761,116 invested in capital assets, including police and fire equipment, park and recreation facilities, buildings, and water and sewer lines. This amount represents a net increase of \$9,991 (additions net of deletions). The Town deleted assets totaling a net of \$19,365 from its fixed asset records that had been disposed of, sold or junked. Current year asset additions totaled \$29,276.

Capital Assets at Year-end

	Governmental Activities		Business-type Activities		Totals	
	2005	2006	2005	2006	2005	2006
Land and improvements	\$ 86,031	\$ 86,031	\$ -	\$ -	\$ 86,031	\$ 86,031
Construction in progress	21,121	21,121	-	-	21,121	21,121
Buildings and improvements	846,347	850,747	-	-	846,347	850,747
Furniture, fixtures and equipment	254,915	279,791	-	-	254,915	279,791
Vehicles and tractors	427,745	405,380	-	-	424,745	405,380
Water lines, wells, extensions and equipment	-	-	2,016,488	2,016,488	2,016,488	2,016,488
Treatment facility, lines and equipment	-	-	2,101,558	2,101,558	2,101,558	2,101,558
Subtotal	\$ 1,633,159	\$ 1,643,070	\$ 4,118,046	\$ 4,118,046	\$ 5,751,205	\$ 5,761,116
Accumulated depreciation	615,256	649,032	1,843,883	1,941,222	2,459,139	2,590,254
Capital assets, net	<u>\$1,017,903</u>	<u>\$ 994,038</u>	<u>\$2,274,163</u>	<u>\$2,176,824</u>	<u>\$ 3,292,066</u>	<u>\$3,170,862</u>

Debt Outstanding

At year-end, the Town had a balance of \$30,000 owed on the 1988 Certificates of Indebtedness versus \$44,000 last year, a decrease of \$14,000. The Town did not incur any new debt during the fiscal year ended June 30, 2006. More detailed information on the Town's long-term liabilities are presented in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Due to the rising cost of insurance and personnel costs, the limited sources of revenue available and the current economic conditions, the Town is projecting excess expenditures in the General Fund of \$24,630 for the fiscal year ending June 30, 2007. This excess is projected even after transferring in \$245,000 from the sales tax fund and water and sewer fund. There are no plans for major capital expenditures in the upcoming year other than the possible acquisition of additional police cars to be funded by a Rural Development grant. The administration plans to continue to work toward keeping expenditures in line with the budget and saving cost wherever possible.

Financial Contact

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

BASIC FINANCIAL STATEMENTS

TOWN OF COTTONPORT, LOUISIANA
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and interest-bearing deposits	\$167,970	\$169,691	\$337,661
Receivables:			
Accounts	0	47,714	47,714
Taxes	12,601	0	12,601
Accrued interest	14	985	998
Other	44,792	303	45,096
Due from other funds	16,702	4,115	(20,817)
Restricted assets:			
Cash and interest-bearing deposits	0	38,195	38,195
Capital assets, net of accumulated depreciation	994,038	2,176,823	3,170,861
TOTAL ASSETS	1,236,116	2,437,827	\$3,673,943
LIABILITIES			
Accounts payable	\$18,303	\$13,286	31,589
Payable from restricted assets-			
Customers' deposits	0	38,195	38,195
Bonds payable	30,000	0	30,000
Total liabilities	48,303	51,481	99,784
NET ASSETS			
Reserved for-			
Debt Service	\$3,620	\$0	\$3,620
Investment in capital assets, net of related debt	964,038	2,176,824	3,140,862
Unrestricted	220,156	209,522	429,678
TOTAL NET ASSETS	\$1,187,815	\$2,386,346	\$3,574,161

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

**TOWN OF COTTONPORT, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

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

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
ACTIVITIES					
Governmental activities:					
General government	\$231,380	\$0	\$(231,380)	\$0	\$(231,380)
Public safety:					
Police	232,538	17,906	(214,632)	0	(214,632)
Fire	68,686	0	(68,686)	0	(68,686)
City Court	2,279	0	(2,279)	0	(2,279)
Streets and bridges	188,669	0	(188,669)	0	(188,669)
Health and sanitation	6,195	0	(6,195)	0	(6,195)
Interest and fiscal charges	3,223	0	(3,223)	0	(3,223)
Total Governmental Activities	<u>732,970</u>	<u>(17,906)</u>	<u>(715,064)</u>	<u>0</u>	<u>(715,064)</u>
Business-type activities:					
Water and Sewer	544,621	586,966	0	42,345	42,345
Total Business-type Activities	<u>544,621</u>	<u>586,966</u>	<u>0</u>	<u>42,345</u>	<u>42,345</u>
Total Town of Simmesport	<u>1,277,591</u>	<u>(604,872)</u>	<u>(715,064)</u>	<u>42,345</u>	<u>(672,720)</u>
GENERAL REVENUES:					
Taxes			228,446	0	\$228,446
Franchise fees			124,027	0	124,027
Licenses and permits			63,012	0	63,012
Intergovernmental			129,444	0	129,444
Unrestricted investment earnings			0	3,698	3,698
Miscellaneous			62,697	0	62,697
Transfers, net			176,008	(176,008)	0
Total general revenues, special items and transfers			<u>783,633</u>	<u>(172,310)</u>	<u>611,323</u>
Change in net assets			68,570	(129,965)	(61,396)
Net assets beginning of year			<u>1,119,245</u>	<u>2,516,311</u>	<u>3,635,556</u>
Net assets end of year			<u>\$1,187,815</u>	<u>\$2,386,346</u>	<u>\$3,574,161</u>

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, 2006**

	General Fund	Sales Tax Fund	Volunteer Fire Department Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and interest-bearing deposits	\$68,802	\$37,659	\$57,736	\$3,772	\$167,970
Receivables:					
Taxes	0	12,601	0	0	12,601
Accrued interest	14	0	0	0	14
Other	44,792	0	0	0	44,792
Due from other funds	16,702	0	0	0	16,702
TOTAL ASSETS	\$130,310	\$50,260	\$57,736	\$3,772	\$242,078
LIABILITIES					
Accounts payable	\$18,077	\$226	\$0	\$0	\$18,303
Due to other funds	0	0	0	0	0
Total liabilities	18,077	226	0	0	18,303
FUND BALANCES					
Reserved for-					
Debt Service	0	0	0	3,620	3,620
Unrestricted	112,233	50,034	57,736	153	220,156
Total fund balances	112,233	50,034	57,736	3,772	223,777
TOTAL LIABILITIES AND FUND BALANCE	\$130,310	\$50,260	\$57,736	\$3,772	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,643,070	
Less: accumulated depreciation	(649,032)	994,038
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(30,000)
NET ASSETS OF GOVERNMENTAL ACTIVITIES		\$1,187,815

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

**TOWN OF COTTONPORT, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006**

	General Fund	Sales Tax Fund	Volunteer Fire Department Fund	Other Governmental Funds	Totals Governmental Funds
REVENUES:					
Taxes	\$29,916	\$144,817	\$53,712	\$0	\$228,446
Franchise fees	124,027	0	0	0	124,027
Licenses and permits	63,012	0	0	0	63,012
Intergovernmental	111,896	0	17,547	0	129,444
Fines and forfeits	17,906	0	0	0	17,906
Miscellaneous	60,936	451	1,200	109	62,697
TOTAL REVENUES	407,694	145,268	72,460	109	625,531
EXPENDITURES:					
Current -					
General government	213,009	1,971	0	42	215,022
Public safety:					
Police	224,235	0	0	0	224,235
Fire	22,569	0	22,283	0	44,852
City Court	2,279	0	0	0	2,279
Streets and bridges	184,023	0	0	0	184,023
Health and sanitation	6,195	0	0	0	6,195
Capital outlay	13,086	0	16,190	0	29,276
Debt service -					
Principal retirement	0	0	0	14,000	14,000
Interest and fiscal charges	0	0	0	3,223	3,223
TOTAL EXPENDITURES	665,396	1,971	38,473	17,265	723,105
Excess (deficiency) of revenues over expenditures	(257,702)	143,297	33,987	(17,156)	(97,574)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	336,008	0	0	16,426	352,434
Operating transfers out	0	(160,000)	(16,426)	0	(176,426)
TOTAL OTHER FINANCING SOURCES (USES)	336,008	(160,000)	(16,426)	16,426	176,008
Excess (deficiency) of revenues over expenditures and other sources (uses)	78,306	(16,703)	17,561	(730)	78,434
FUND BALANCES AT BEGINNING OF YEAR	33,927	66,737	40,175	4,502	145,342
FUND BALANCES AT END OF YEAR	\$112,233	\$50,034	\$57,736	\$3,772	\$223,777

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

**TOWN OF COTTONPORT, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

Net change in fund balances - Governmental Funds **\$78,434**

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$53,141) exceeded capital expenditures (\$29,276)

In the current period. (23,864)

Debt service payments are deducted as expenditures in the current year. On the statement of activities debt payments are not deducted since they reduce the liability on the statement of net assets. Debt payments for the current year are added back to reconcile to the net change in assets.

14,000

Change in net assets of governmental activities **\$68,570**

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

**TOWN OF COTTONPORT, LOUISIANA
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2006**

	Water & Sewer Fund
ASSETS	
Cash and interest-bearing deposits	\$169,691
Receivables:	
Accounts	47,714
Accrued interest	985
Other	303
Due from other funds	4,115
Restricted assets:	
Cash and interest-bearing deposits	38,195
Utility, property, plant and equipment	4,118,046
Accumulated depreciation	(1,941,222)
TOTAL ASSETS	\$2,437,827
 LIABILITIES	
Accounts payable	\$13,286
Payable from restricted assets-	
Customers' deposits	38,195
 Total liabilities	 51,481
 NET ASSETS	
Investment in capital assets, net of related debt	2,176,824
Unrestricted	209,522
TOTAL NET ASSETS	\$2,386,346

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

**TOWN OF COTTONPORT, LOUISIANA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006**

	<u>Enterprise Fund</u>
<u>OPERATING REVENUES:</u>	
Charges for services -	
Water services	\$335,152
Sewer services	127,204
LAWCO water line	<u>124,609</u>
TOTAL OPERATING REVENUES	<u>586,966</u>
<u>OPERATING EXPENSES:</u>	
Water department	279,815
Sewer department	99,448
General and administrative	68,019
Depreciation	<u>97,340</u>
TOTAL OPERATING EXPENSES	<u>544,621</u>
OPERATING INCOME (LOSS)	<u>42,345</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Interest income	3,698
Loss on disposal of assets	<u>0</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>3,698</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>46,043</u>
<u>OPERATING TRANSFERS IN (OUT):</u>	
Operating transfers in	0
Operating transfers out	<u>(176,008)</u>
TOTAL OPERATING TRANSFERS	<u>(176,008)</u>
NET INCOME (LOSS)	(129,965)
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>2,516,311</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$2,386,346</u>

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

**TOWN OF COTTONPORT, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006**

	Enterprise Fund
Cash flows from operating activities	
Receipts from customers	\$591,428
Payments to suppliers	(288,422)
Payments to employees for salaries and benefits	(160,873)
Net cash provided by operating activities	142,133
Cash flows from noncapital financing activities:	
Due from other funds	8,808
Operating transfers to other funds	(176,008)
Net cash provided by/(used) for noncapital financing activities	(167,200)
Cash flows from capital and related financing activities:	
Purchase of Capital Assets	0
Net cash provided by/(used) for capital and related financing activities	0
Cash flows from investing activities:	
Interest received from interest bearing deposits	3,698
Net cash provided by/(used) for investing activities	3,698
Net increase (decrease) in cash and cash equivalents	(21,369)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	229,255
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$207,886
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$42,345
Adjustment to reconcile net income to net cash provided by operating activities:	
Depreciation	97,340
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	4,462
(Increase) decrease in other receivables	0
Increase (decrease) in accounts payable	(1,627)
Increase (decrease) in customer deposits	(387)
Net cash provided by/(used) for operating activities	\$142,133

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

**TOWN OF COTTONPORT, LOUISIANA
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2006**

<u>ASSETS</u>	<u>Agency Funds</u>
Cash and interest-bearing deposits	\$26,007
Due from other funds	0
TOTAL ASSETS	26,007
<u>LIABILITIES</u>	
Accounts payable	\$5,190
Due to other funds	20,817
TOTAL LIABILITIES	26,007
NET ASSETS	\$0

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

**TOWN OF COTTONPORT, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

INTRODUCTION

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

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

Financial Reporting Entity.

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

A. Implementation of New Accounting Standards.

For the fiscal year ended June 30, 2006, 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, 2006.

H. Due to and Due from Other funds

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

I. Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Long-Term obligations of the Town consists of a Certificate of Indebtedness, Series 1998, at June 30, 2006.

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, 2006, vested leave benefits have not been accrued as required by GASB Statement No. 16 "Accounting for Compensated Absences", due to immateriality.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets

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

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

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

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

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

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

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

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

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

L. Fund Equity

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

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

NOTE 2. CASH AND CASH EQUIVALENTS

At June 30, 2006, the Town had cash and cash equivalents (book balance) totaling \$401,863, as follows:

Demand deposits	\$288,724
Time deposits	<u>113,139</u>
Total	<u>\$401,863</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balance) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2006, the Town had \$410,857 in deposits (collected bank balances) including investments listed in note 3. These deposits (including investments) are secured from risk by \$213,949 of federal deposits insurance and \$196,908 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

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

NOTE 3. INVESTMENTS

At June 30, 2006, the Town held investments totaling \$113,139 in 180 day certificates of deposit. These investments are stated at cost, which approximate market, and are secured from risk by federal deposit insurance (see note 2).

NOTE 4. RECEIVABLES

Receivables totaling \$44,792 in the general fund consisted of the following at June 30, 2006:

Due from other governmental agencies	
Video Poker Revenue	\$ 2,387
Casino Gaming Revenue	7,067
Beer Tax	1,795
Housing Authority in lieu of taxes	6,315
DOTD Maintenance fees	<u>2,303</u>
Total	<u>\$19,867</u>
Other Receivables	
Franchise Fees	\$24,620
Ad Valorem Taxes	244
NSF Check Receivable	<u>61</u>
Total	<u>\$24,925</u>

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

NOTE 4. RECEIVABLES (Continued)

In the enterprise fund unbilled utility receivables were immaterial at June 30, 2006. Billed receivables balances at June 30, 2006 consisted of the following:

<u>Utility Billings</u>	<u>Water and Sewer System</u>
Current billings	\$ 46,634
Over 30 days	<u>1,080</u>
	<u>\$ 47,714</u>

NOTE 5. INTERFUND RECEIVABLES, PAYABLES

The following is a summary of interfund receivable and payable balances at June 30, 2006:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 16,702	\$ -
Enterprise Fund	4,115	-
Agency Funds	<u>-</u>	<u>20,817</u>
Totals	<u>\$ 20,817</u>	<u>\$ 20,817</u>

NOTE 6. RESTRICTED ASSETS – PROPRIETARY FUND TYPE

Restricted assets were applicable to the following at June 30, 2006:

Customer Meter Deposits	<u>\$38,195</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, 2006, are as follows:

	Balance <u>7/01/05</u>	Additions	Deletions	Balance <u>6/30/06</u>
Governmental activities:				
<u>Capital assets not being depreciated:</u>				
Land and Improvements	\$ 86,031	\$ -	\$ -	\$ 86,031
Construction in Progress	<u>21,121</u>	<u>-</u>	<u>-</u>	<u>21,121</u>
Total capital assets not being depreciated	<u>\$ 107,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,152</u>
<u>Capital assets being depreciated:</u>				
Buildings and Improvements	\$ 846,347	\$ 4,400	\$ -	\$ 850,747
Furniture, Fixtures, and Equipment	254,915	24,876	-	279,791
Vehicles and Tractors	<u>424,745</u>	<u>-</u>	<u>19,365</u>	<u>405,380</u>
Total capital assets being depreciated	<u>\$1,526,007</u>	<u>\$ 29,276</u>	<u>\$ 19,365</u>	<u>\$1,535,918</u>
<u>Less accumulated depreciation for:</u>				
Buildings and Improvements	\$ 271,722	\$ 21622	\$ -	\$ 293,344
Furniture, Fixtures, and Equipment	143,941	15,638	-	159,579
Vehicles and Tractors	<u>199,593</u>	<u>15,881</u>	<u>19,365</u>	<u>196,109</u>
Total accumulated depreciation	<u>\$ 615,256</u>	<u>\$ 53,141</u>	<u>\$ 19,365</u>	<u>\$ 649,032</u>
Total Capital assets being depreciated, net	<u>\$ 910,751</u>			<u>\$ 994,038</u>

For the year ended June 30, 2006, depreciation expense was \$53,141.

Business-type activities:

Capital assets being depreciated:

Water department:

Water lines, well and extensions and equipment	\$ 2,016,488	\$ -	\$ -	\$ 2,016,488
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Sewer department:

Treatment facility, lines and equipment	<u>2,101,558</u>	<u>-</u>	<u>-</u>	<u>2,101,558</u>
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Total Capital assets

being depreciated	4,118,046	\$ -	\$ -	4,118,046
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Less accumulated depreciation	<u>(1,843,883)</u>			<u>(1,941,222)</u>
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Total business-type assets

being depreciated, net	<u>\$ 2,274,163</u>			<u>\$2,176,824</u>
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There were no current year additions of business-type assets.

For the year ended June 30, 2006, depreciation expense was \$97,340.

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

NOTE 8. CHANGES IN LONG-TERM DEBT

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

The annual requirements to amortize the certificates of indebtedness outstanding as of June 30, 2006, including interest payments of \$2,288 are as follows:

<u>Year Ending June 30</u>	<u>Certificates of Indebtedness</u>
2007	16,523
2008	<u>15,765</u>
Total	<u>\$ 32,288</u>

NOTE 9 CHANGES IN AGENCY FUND

The following is a summary of changes in assets and liabilities of the Agency Fund for the year ended June 30, 2006:

	<u>Balance 7/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/06</u>
Assets				
Cash	\$ 9,902	\$ 938,239	\$ 922,134	\$26,007
Due from other funds	<u>11,024</u>	<u>809,027</u>	<u>820,051</u>	<u>-</u>
	<u>\$20,926</u>	<u>\$1,747,266</u>	<u>\$1,742,185</u>	<u>\$26,007</u>
Liabilities				
Payroll taxes payable	\$ 538	\$ 112,419	\$ 112,175	\$ 782
Retirement payable	6,900	40,269	43,329	3,840
Due to other funds	12,924	7,893	-	20,817
Other liabilities	<u>564</u>	<u>240,115</u>	<u>240,111</u>	<u>568</u>
	<u>\$20,926</u>	<u>\$ 400,696</u>	<u>\$ 395,615</u>	<u>\$26,007</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, 2006, taxes of 5.64 mills were levied on property with assessed valuations totaling \$5,301,000 and were dedicated as follows:

General corporate purposes	5.64 mills
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Total taxes levied were \$29,897. Taxes receivable at June 30, 2006, were \$244.

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

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

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

NOTE 12. WATER PURCHASE CONTRACTS

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

1. Louisiana Water Company (LAWCO) – Contract dated July 1, 1995, requiring the Town of Cottonport to supply water for resale in Mansura, Louisiana for a period of twenty (20) years at a rate of \$1.28 per 1,000 gallons with a minimum of \$500 per month. Effective July 1, 2004 for a ten year period, the rate increases to \$1.40 per 1,000 gallons with a minimum of \$500 per month.
2. Ward 3 Avoyelles Water District – Contract date January 23, 1995, requiring the Town of Cottonport to supply water for resale to Ward 3 of Avoyelles Parish for Twenty (20) years at a rate of \$1.12 per 1,000 gallons with a minimum rate of \$500 per month. Effective January 23, 2004 the rate was increased to \$1.20 per 1,000 with a minimum of \$500 per month.
3. Louisiana Correctional Facilities Corporation – Verbal agreement requiring the Town of Cottonport to supply water for resale to the Medium Security Prison in Cottonport at a rate of \$1.12 per 1,000 gallons.

NOTE 13. ROAD MAINTENANCE AGREEMENT

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

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

NOTE 14. FRANCHISE AGREEMENTS

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

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

NOTE 15. FUNDING COMMITMENTS

On October 27, 2003, the Town applied for and was awarded funding through the Louisiana Community Development Block Grant (LCDBG) Program in the amount of \$225,000 to fund construction of a new water well. As of the date of issuance of this report, testing had been conducted for the site but the Town was notified that the project could not be funded due to lack of emergency priority and funding availability from the state at this time.

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

NOTE 16. 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, 2005.

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

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

Funding Policy: Under Plan B, members are required to contribute 5.00% of their annual covered salary to the system while the Town is required to contribute at an actuarially determined rate. The current rate is 9.75% 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, 2006, was \$20,105 equal to the required contribution for the year.

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

NOTE 17. PENSION PLANS (Continued)

Municipal Police Employees Retirement System of Louisiana (System)

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

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

Funding Policy. Plan members are required by state statute to contribute 7.5% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate was 16.25% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town contributions to the System for the year ended June 30, 2006 was \$4,006 equal to the required contributions for the year.

NOTE 18. CONTINGENT LIABILITIES

There are currently several cases pending against the Town that are being defended by the Town's liability insurance carriers and/or attorneys. In one case, the insurance coverage is being denied since it is questionable whether the town employee was on duty when the accident occurred. The outcome of this case is uncertain but could result in up to \$25,000 of damages, plus legal fees, if the claim is asserted against the Town and the insurance coverage is denied. It is the opinion of the Town's legal counsel that any other claims, should they arise, will be adequately covered by insurance and settled within the policy limits.

(Concluded)

REQUIRED SUPPLEMENTAL INFORMATION (PART II)

**TOWN OF COTTONPORT, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive Negative (Negative)
REVENUES				
Taxes	\$30,000	\$30,000	\$29,916	\$(84)
Franchise fees	98,500	112,500	124,027	11,527
Licenses and permits	47,850	56,850	63,012	6,162
Intergovernmental	89,105	109,105	111,896	2,791
Fines and forfeits	24,500	18,000	17,906	(94)
Miscellaneous	15,125	15,125	60,936	45,811
TOTAL REVENUES	305,080	341,580	407,694	66,114
EXPENDITURES				
General government	178,875	182,375	213,009	(30,634)
Public safety:				
Police	222,500	215,800	224,235	(8,435)
Fire	24,407	26,907	22,569	4,338
City court	4,500	2,500	2,279	221
Streets and bridges	164,600	177,600	184,023	(6,423)
Health and sanitation	7,150	7,150	6,195	955
Capital outlay	10,000	0	13,086	(13,086)
TOTAL EXPENDITURES	612,032	612,332	665,396	(53,064)
Deficiency of revenues over expenditures	(306,952)	(270,752)	(257,702)	13,050
OTHER FINANCING SOURCES (USES)				
Operating transfers in	255,000	255,000	336,008	81,008
Operating transfers out	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	255,000	255,000	336,008	81,008
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$(51,952)	\$(15,752)	78,306	\$94,058
FUND BALANCES AT BEGINNING OF YEAR			33,927	
FUND BALANCES AT END OF YEAR			\$112,233	

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

**TOWN OF COTTONPORT, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
SALES TAX FUND
YEAR ENDED JUNE 30, 2006**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$130,000	\$140,000	\$144,817	\$4,817
Miscellaneous	1,000	1,000	451	(549)
TOTAL REVENUES	<u>131,000</u>	<u>141,000</u>	<u>145,268</u>	<u>4,268</u>
EXPENDITURES				
General government:				
Collection fee	1,850	1,850	1,959	(109)
Miscellaneous	10	10	12	(2)
Total general government expenditures	<u>1,860</u>	<u>1,860</u>	<u>1,971</u>	<u>(111)</u>
Excess (deficiency) of revenues over expenditures	<u>129,140</u>	<u>139,140</u>	<u>143,297</u>	<u>4,157</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	<u>(140,000)</u>	<u>(140,000)</u>	<u>(160,000)</u>	<u>(20,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(140,000)</u>	<u>(140,000)</u>	<u>(160,000)</u>	<u>20,000</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>\$(10,860)</u>	<u>\$(860)</u>	<u>(16,703)</u>	<u>\$(15,843)</u>
FUND BALANCES AT BEGINNING OF YEAR			<u>66,737</u>	
FUND BALANCES AT END OF YEAR			<u>\$50,034</u>	

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

**TOWN OF COTTONPORT, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
VOLUNTEER FIRE DEPARTMENT FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$50,000	\$50,000	\$53,712	\$3,712
Intergovernmental	16,000	16,000	17,547	1,547
Miscellaneous	500	500	1,200	700
TOTAL REVENUES	<u>66,500</u>	<u>66,500</u>	<u>72,460</u>	<u>5,960</u>
EXPENDITURES				
Public safety:				
Fire	35,000	35,000	22,283	12,717
Capital outlay	10,000	10,000	16,190	(6,190)
TOTAL EXPENDITURES	<u>45,000</u>	<u>45,000</u>	<u>38,473</u>	<u>6,527</u>
Deficiency of revenues over expenditures	<u>21,500</u>	<u>21,500</u>	<u>33,987</u>	<u>12,487</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	0	0	0	0
Operating transfers out	(21,426)	(21,426)	(16,426)	5,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(21,426)</u>	<u>(21,426)</u>	<u>(16,426)</u>	<u>5,000</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$74</u>	<u>\$74</u>	<u>\$17,561</u>	<u>\$17,487</u>
FUND BALANCES AT BEGINNING OF YEAR			<u>40,175</u>	
FUND BALANCES AT END OF YEAR			<u>\$57,736</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, 2006

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)
YEAR ENDED JUNE 30, 2006**

	<u>Final</u>		<u>Variance</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u>
			<u>(Unfavorable)</u>
<u>TAXES:</u>			
Ad valorem	\$30,000	\$29,916	\$(84)
<u>FRANCHISE FEES:</u>			
Electric	68,000	72,548	4,548
Gas	15,000	17,744	2,744
Cable TV	16,500	17,074	574
Telephone	13,000	16,661	3,661
TOTAL FRANCHISE FEES	<u>112,500</u>	<u>124,027</u>	<u>11,527</u>
<u>LICENSES AND PERMITS:</u>			
Occupational licenses	54,000	60,100	6,100
Building, liquor and moving permits	2,850	2,913	63
TOTAL LICENSES AND PERMITS	<u>56,850</u>	<u>63,012</u>	<u>6,162</u>
<u>INTERGOVERNMENTAL:</u>			
State of Louisiana:			
Beer taxes	6,000	8,066	2,066
D O T D road maintenance fees	4,605	4,605	0
Video poker revenue	18,500	20,593	2,093
Grant revenue	25,000	32,835	7,835
Housing authority in lieu of taxes	6,000	6,342	342
Housing authority appropriation for security	12,000	3,974	8,026
Casino revenue	37,000	35,482	(1,518)
TOTAL INTERGOVERNMENTAL	<u>109,105</u>	<u>111,896</u>	<u>2,791</u>
<u>FINES AND FORFEITS:</u>			
Fines and court cost	18,000	17,906	(94)
<u>MISCELLANEOUS:</u>			
Late charges, copies and impounding fees	125	2	(123)
Excise tax refund	1,500	1,589	89
Grass cutting	2,000	1,030	(970)
Rental income- community center	4,000	3,935	(65)
Miscellaneous income	3,200	4,524	1,324
Donations Veteran's Memorial/Museum	0	45,312	45,312
Inter-club Christmas revenue	2,800	4,080	1,280
Interest income	1,500	466	(1,034)
TOTAL MISCELLANEOUS	<u>15,125</u>	<u>60,936</u>	<u>45,811</u>
TOTAL REVENUES	<u>\$341,580</u>	<u>\$407,694</u>	<u>\$66,114</u>

TOWN OF COTTONPORT, LOUISIANA
GENERAL FUND
DETAILED STATEMENT OF FUNCTIONAL EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)
YEAR ENDED JUNE 30, 2006

	Final Budget	Actual	Variance - Favorable (Unfavorable)
<u>GENERAL GOVERNMENT</u>			
Salaries	\$67,000	\$65,143	\$1,857
Payroll taxes	5,300	4,991	309
Employee benefits	28,000	28,797	(797)
Legal and auditing	7,500	10,840	(3,340)
Insurance	11,000	14,968	(3,968)
Assessor fees	1,000	1,003	(3)
Miscellaneous expense	4,000	4,118	(118)
Museum expense	0	17,638	(17,638)
Engineering fees	1,000	0	1,000
Office supplies and postage	8,000	9,260	(1,260)
Publications and printing	2,000	2,237	(237)
Dues and subscriptions	1,500	2,385	(885)
Town hall expense	3,500	2,723	777
Telephone expense	6,000	4,759	1,241
Utilities	10,500	10,195	305
Election Cost	0	0	0
Community center expenses	3,000	1,647	1,353
Travel	7,500	4,935	2,565
Veteran's Memorial expense	150	9,865	(9,715)
Bank service charges	325	83	242
Park expenses	1,000	3,150	(2,150)
Xerox copier rental payments	1,700	1,515	185
Christmas decorations expense	3,000	5,705	(2,705)
Christmas fireworks expense	3,000	0	3,000
Christmas festival misc expense	2,000	1,420	580
Inter-club Christmas expense	3,000	5,427	(2,427)
Bike Program	1,000	204	796
Uniforms	400	0	400
TOTAL GENERAL GOVERNMENT	182,375	213,009	(30,634)
<u>PUBLIC SAFETY:</u>			
POLICE			
Salaries	100,000	110,414	10,414
Salaries - police chief	29,000	31,788	(2,788)
Payroll taxes	12,500	10,965	1,535
Employee benefits	25,000	17,509	7,491
Patrol car expenses	20,000	23,686	(3,686)
Uniforms	1,500	1,082	418
Insurance	18,000	18,301	(301)
Material and supplies	3,500	748	2,752
Telephone expense	3,300	3,269	31
Miscellaneous expense	3,000	6,473	(3,473)
TOTAL POLICE	215,800	224,235	(8,435)

(CONTINUED)

**TOWN ON COTTONPORT, LOUISIANA
GENERAL FUND
DETAILED STATEMENT OF FUNCTIONAL EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)
YEAR ENDED JUNE 30, 2006**

PUBLIC SAFETY (CONTINUED)	Final Budget	Actual	Variance - Variance Favorable (Unfavorable)
FIRE			
Salaries	\$3,900	\$4,225	\$325
Payroll taxes	307	324	(17)
Employee benefits	350	380	(30)
Engineering fees	0	0	0
Truck expense	2,500	5,005	(2,505)
Materials and supplies	500	369	131
Insurance	10,000	3,499	6,501
Telephone expense	950	912	38
Miscellaneous expense	400	335	65
Appropriations - VFD	0	0	0
Utilities - CVFD	8,000	7,520	480
TOTAL FIRE	26,907	22,569	4,338
CITY COURT			
Magistrate fees	1,200	1,200	0
Prisoner rations	1,000	300	700
Miscellaneous	300	779	(479)
TOTAL CITY COURT	2,500	2,279	221
STREETS AND BRIDGES			
Salaries	60,000	64,922	(4,922)
Payroll taxes	5,000	4,974	26
Employee benefits	12,000	14,086	(2,086)
Truck/backhoe expense	12,500	13,298	(798)
Tractor expense	5,000	5,690	(690)
Materials and supplies	7,000	6,176	824
Repairs and maintenance	11,000	10,908	92
Vapor lights	33,000	32,250	750
Fountain expense	3,500	2,808	692
Animal control expense	3,500	408	3,092
Miscellaneous expense	10,000	12,166	(2,166)
Uniforms	2,600	1,576	1,024
Insurance	12,500	14,762	(2,262)
TOTAL STREETS AND BRIDGES	177,600	184,023	(6,423)
HEALTH AND SANITATION			
First Responder Expense	2,000	363	1,637
Pest control	650	300	350
Solid waste disposal	4,500	5,531	1,031
TOTAL HEALTH AND SANITATION	7,150	6,195	955

(CONTINUED)

TOWN ON COTTONPORT, LOUISIANA
GENERAL FUND
DETAILED STATEMENT OF FUNCTIONAL EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)
YEAR ENDED JUNE 30, 2006

	Final Budget	Actual	Variance - Favorable (Unfavorable)
<u>CAPITAL OUTLAY</u>			
General government	0	6,256	(6,256)
Police	0	0	0
Fire	0	0	0
Streets and bridges	0	6,830	(6,830)
TOTAL CAPITAL OUTLAY	0	13,086	(13,086)
 TOTAL EXPENDITURES	 <u>\$612,332</u>	 <u>\$665,396</u>	 <u>\$53,064</u>

(CONCLUDED)

TOWN OF COTTONPORT, LOUISIANA
PROPRIETARY FUND TYPE
ENTERPRISE FUND
STATEMENT OF OPERATING EXPENSES BY DEPARTMENT
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 2006

	Final <u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
<u>WATER DEPARTMENT:</u>			
Salaries	\$51,594	\$50,848	\$746
Payroll taxes and employee benefits	14,000	12,601	1,399
Materials and supplies	5,000	4,919	81
Chemicals	16,000	16,407	(407)
Truck and backhoe expenses	6,000	7,573	(1,573)
Repairs and maintenance	20,000	19,399	601
Utilities and telephone	138,100	138,028	72
Insurance	19,000	23,297	(4,297)
Uniforms	400	1,097	(697)
Depreciation	51,672	51,582	(90)
Bad debts	100	25	75
Engineering fees	0	0	0
Test Wells	0	1,200	(1,200)
Miscellaneous	3,500	4,421	(921)
TOTAL WATER DEPARTMENT	<u>\$325,366</u>	<u>\$331,397</u>	<u>\$(6,031)</u>
<u>SEWER DEPARTMENT:</u>			
Salaries	\$27,284	\$29,262	\$(1,978)
Payroll taxes and employee benefits	7,400	8,915	(1,515)
Materials and supplies	7,000	413	6,587
Chemicals	9,000	6,678	2,322
Truck and backhoe expenses	2,500	9,185	(6,685)
Repairs and maintenance	10,000	8,880	1,120
Utilities	19,500	17,391	(2,109)
Insurance	3,800	6,475	(2,675)
Uniforms	600	908	(308)
Depreciation	45,000	45,758	758
Bad debts	100	0	100
Engineering fees	0	0	0
Miscellaneous	7,500	10,686	(3,186)
TOTAL SEWER DEPARTMENT	<u>\$139,684</u>	<u>\$144,551</u>	<u>\$(4,867)</u>
<u>GENERAL AND ADMINISTRATIVE:</u>			
Salaries	\$44,050	\$43,418	\$632
Payroll taxes and employee benefits	11,200	15,829	(4,629)
Professional fees	5,000	4,826	174
Office supplies and postage	4,200	3,692	508
Miscellaneous	220	254	(34)
TOTAL GENERAL AND ADMINISTRATIVE	<u>\$64,670</u>	<u>\$68,019</u>	<u>\$(3,349)</u>

**TOWN OF COTTONPORT, LOUISIANA
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2006**

	Debt Service Fund	Capital Projects Fund	Totals Non-Major Governmental Funds
<u>ASSETS</u>			
Cash and interest-bearing deposits	\$3,620	\$153	\$3,772
TOTAL ASSETS	\$3,620	\$153	\$3,772
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities	\$0	\$0	\$0
TOTAL LIABILITIES	0	0	0
 <u>FUND BALANCES</u>			
Reserved for Debt Service	3,620	0	3,620
Unreserved, unrestricted	0	153	153
TOTAL LIABILITIES AND FUND BALANCES	\$3,620	\$153	\$3,772

**TOWN OF COTTONPORT, LOUISIANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006**

	Debt Service Fund	Capital Projects Fund	Total Non-Major Governmental Funds
REVENUES:			
Taxes	\$0	\$0	\$0
Intergovernmental	0	0	0
Miscellaneous	109	0	109
TOTAL REVENUES	109	0	109
EXPENDITURES:			
General government	42	0	42
Capital Outlay	0	0	0
Debt service	17,223	0	17,223
TOTAL EXPENDITURES	17,265	0	17,265
Excess (deficiency) of revenues over expenditures	(17,156)	0	(17,156)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	16,426	0	16,426
Operating transfers out	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	16,426	0	16,426
Excess (deficiency) of revenues and other sources over expenditures and other uses	(730)	0	(730)
FUND BALANCES AT BEGINNING OF YEAR	4,350	153	4,502
FUND BALANCES AT END OF YEAR	\$3,620	\$153	\$3,772

**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, 2006, follows:

	<u>Compensation</u>	<u>Term Expires</u>
Paul A. Gauthier, Mayor	6,000	12/31/08
Council Members:		
Curtis Francisco, Mayor Pro-Tem	2,400	12/31/08
Kenneth Friels	2,400	12/31/08
Louie Laborde	2,400	12/31/08
Margaret Prater	2,400	12/31/08
Lonis Laurent	2,400	12/31/08
Charles Jenkins, Police Chief	<u>31,788</u>	12/31/08
Total	<u>\$49,788</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 Paul A. Gauthier, 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, 2006, and have issued our report thereon dated October 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Cottonport, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk of misstatements in amounts that would be material in relation to the general purpose financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted a matter involving the internal control over financial reporting that we have reported in the accompanying schedule of findings and questioned costs as item 06-01. This item reported is considered to be a material weakness.

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

DUCOTE & COMPANY

Marksville, Louisiana
October 27, 2006

TOWN OF COTTONPORT, LOUISIANA
Schedule of Audit Results, Findings, and Questioned Costs, (Continued)
For the Year Ended June 30, 2006

Section I – Summary of Auditors' Results

Financial Statements

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

Federal Awards

Not applicable for the fiscal year ended June 30 2006.

Section II-Financial Statement Findings

There is one finding applicable to internal control item 06-01 and no findings relative to compliance. This item is discussed in detail in Section IV.

Section III – Federal Award Findings and Questioned Costs

Not applicable for the fiscal year ended June 30, 2006.

TOWN OF COTTONPORT, LOUISIANA
Schedule of Audit Results, Findings, and Questioned Costs, (Continued)
For the Year Ended June 30, 2006

Section IV – Summary of Current Year Audit Findings

Internal Control and Compliance Material to the Financial Statements

06-01- Failure to make timely deposits of fines collected.

During the course of testing police fine collections, it was noted that each month certain collections were held over to the subsequent month(s). In some months, the amount held over exceeded \$700. The explanation for holding over cash collections was to allow them to match up to the month of the scheduled court date. Once the fine is paid, there should be no reason to hold it to the court date as the charges and related fines and court costs will probably not be contested in court. It is unsafe to hold such amounts of cash in the vault as it could lend itself to misuse or theft.

Recommendation

Collections should be deposited timely in the month collected and no cash receipts should be held over regardless of the circumstances. Receipts can be documented as to the date received and should be traceable to bank deposit tickets should collection need to be verified. Deposits should be made as frequently as possible to avoid an accumulation of cash and to safeguard assets.

Management's Response

Effective immediately, all collections will be deposited in the month collected in a timely manner.

Internal Control and Compliance Material to Federal Awards

None

(Concluded)

TOWN OF COTTONPORT, LOUISIANA
Current Year Findings, Recommendations and Corrective Action Plan
For the Year Ended June 30, 2006

<u>Ref No.</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
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Section I – Internal Control and Compliance Material to the Financial Statements

06-01	Failure to make timely deposits of police fine collections	Deposits of police fines will be made timely in month collected regardless of the scheduled court date	Mayor Paul Gauthier	Oct 2006
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Section II – Internal Control and Compliance Material to Federal Awards

None

Section III – Management Letter Comments

None

**TOWN OF COTTONPORT, LOUISIANA
Status of Prior Audit Findings
For the Year Ended June 30, 2006**

<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

None reported in prior year.

Section II – Internal Control and Compliance Material to Federal Awards

None reported in prior year.

Section III – Management Letter

05-01	July 2005	Reconciliation of reconciled Cash and Investment balances to the accounting software general ledger balances.	Yes	
05-02	January 2005	Error in reporting supplemental pay on several W-2's for 2004.	Yes	