

Town of Cottonport
Annual Financial Statements
As of and for the Year Ended
June 30, 2012

DUCOTE & COMPANY
Certified Public Accountants
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TOWN OF COTTONPORT, LOUISIANA
Annual Financial Statements
As of and for the year ended June 30, 2012

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TOWN OF COTTONPORT, LOUISIANA
Annual Financial Statements
As of and for the year ended June 30, 2012

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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, 2012, 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.

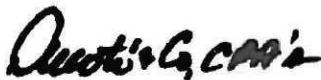
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2012, 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 October 5, 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

October 5, 2012

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

Town of Cottonport, Louisiana
*Management's
Discussion and Analysis
June 30, 2012*

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, 2012 follows:

	Net Assets at Year-end		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Government</u>
Cash and Investments	\$ 206,317	\$ 387,788	\$ 594,105
Other assets	64,924	78,899	143,823
Capital assets	<u>1,290,767</u>	<u>2,473,015</u>	<u>3,763,782</u>
Total assets	<u>\$ 1,562,008</u>	<u>\$ 2,939,702</u>	<u>\$ 4,501,710</u>
Other liabilities	\$ 9,843	\$ 58,840	\$ 68,683
Long-term liabilities	<u>112,957</u>	<u>447,000</u>	<u>559,957</u>
Total liabilities	<u>122,800</u>	<u>505,840</u>	<u>628,640</u>
Net assets			
Investment in capital assets, Net of related debt	1,177,810	2,026,015	3,203,825
Restricted	-	-	-
Unrestricted	<u>261,398</u>	<u>407,847</u>	<u>669,245</u>
Total net assets	<u>\$ 1,439,208</u>	<u>\$ 2,433,862</u>	<u>\$ 3,873,070</u>

During the year ended June 30, 2012, the following changes affected the balance of net assets: cash and investments decreased by approximately \$400,915 from the prior year. Capital expenditures in the governmental activities funds totaled \$37,217 and in the enterprise fund totaled \$463,976.

A condensed version of the Statement Activities follows:

**Governmental and Proprietary Activities
For the year ended June 30, 2012**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Government</u>
<u>Revenues</u>			
Program Revenues:			
Charges for services	\$ 15,527	\$ 661,862	\$ 677,389
General Revenues:			
Taxes	280,021		280,021
Franchise fees	109,091		109,091
Licenses and permits	74,659		74,659
Intergovernmental	75,988	35,000	110,988
Unrestricted Investment earnings	-	1,071	1,071
Miscellaneous	37,761	-	37,761
Transfers	176,000	(176,000)	-
Total revenues and transfers	<u>769,047</u>	<u>521,933</u>	<u>1,290,980</u>
<u>Expenses</u>			
General government	208,075		208,075
Public safety	385,527		385,527
Streets and bridges	171,188		171,188
Health and sanitation	4,521		4,521
Utility services-Water and Sewer		534,531	534,531
Interest and fiscal charges	7,095	-	7,095
Total Expenses	<u>776,406</u>	<u>534,531</u>	<u>1,310,937</u>
Increase (Decrease) in net assets	<u>\$ (7,359)</u>	<u>\$ (12,598)</u>	<u>\$ (19,957)</u>

Governmental activities

Governmental program expenses were higher than prior year by roughly \$24,182 and revenues were lower by \$1,343 resulting in an overall \$22,839 decrease in the change in net assets over the prior year. The net results in governmental activities are largely due to the increase in expenditures from the prior years.. A total of \$776,406 was expended as compared to \$752,224 in the prior year.

Business-type activities

The water and sewer fund had an operating loss of \$12,598 for the year after transfers out to other funds totaling \$176,000 and the receipt of grant proceeds totaling \$35,000.

Budgetary Highlights

Over the course of the year the Town Council revised the budget only once resulting in an overall decrease in general fund revenues over expenditures of \$2,373. In total, the general fund's expenditures were \$14,635 more than budgeted and revenues were \$9,834 more than budgeted for a total net unfavorable budget variance of \$4,802. After net operating transfers in of \$312,043, the general fund finished the year with an overall favorable budget variance of \$21,198.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2012 the Town had \$3,763,782 invested in capital assets, including police and fire equipment, park and recreation facilities, buildings, and water and sewer lines. The Town acquired assets of \$37,217 of assets in the general fund. In the enterprise fund \$458,997 was spent on construction of the new water well and \$4,980 was spent on equipment. Depreciation however, totaled \$190,223 resulting in a net increase in capital assets of \$310,970 (additions net of deletions and accumulated depreciation).

Capital Assets at Year-end

	Governmental Activities		Business-type Activities		Totals	
	2011	2012	2011	2012	2011	2012
Land and improvements	\$ 101,031	\$ 101,031			\$ 101,031	\$ 101,031
Construction in progress	20,000	20,000	328,204	787,201	348,204	807,201
Buildings and improvements	1,167,985	1,167,985			1,167,985	1,167,985
Furniture, fixtures and equipment	311,134	321,206			0	0
Vehicles and tractors	722,190	749,335			311,134	321,206
Water lines, wells, extensions and equipment			2,019,148	2,021,638	722,190	749,335
Treatment facility, lines and equipment					0	0
Subtotal	\$ 2,322,340	\$ 2,359,557	2,147,501	2,149,990	2,019,148	2,021,638
Accumulated depreciation	966,512	1,068,790	2,147,501	2,149,990	0	0
Capital assets, net	\$ 1,355,828	\$ 1,290,767	\$ 4,494,853	\$ 4,958,829	\$ 2,147,501	\$ 2,149,990
			2,397,869	2,485,814	3,364,381	3,554,604
			\$ 2,096,984	\$ 2,473,015	\$ 3,452,812	\$ 3,763,782

Debt Outstanding

At year-end, the Town had \$559,957 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 \$447,000 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 \$325,339 for the fiscal year ending June 30, 2013, 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 \$39,296. The enterprise fund is projecting a net operating income of \$218,611, 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, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and interest-bearing deposits	\$206,317	\$328,948	\$535,265
Receivables:			
Accounts	0	58,964	58,964
Taxes	40,959	0	40,959
Accrued Interest	0	582	582
Other	21,422	3,883	25,305
Due from other funds	2,544	15,470	18,014
Restricted assets:			
Cash and interest-bearing deposits	0	58,840	58,840
Capital assets (net of accumulated depreciation)	<u>1,290,767</u>	<u>2,473,015</u>	<u>3,763,782</u>
TOTAL ASSETS	<u>\$1,562,008</u>	<u>\$2,939,702</u>	<u>\$4,501,711</u>
LIABILITIES			
Accounts Payable	\$7,856	\$0	\$7,856
Due to other funds	1,987	0	1,987
Payable from restricted assets -			
Customers' deposits	0	58,840	58,840
Capital lease payable	82,804	0	82,804
Revenue bonds payable	0	447,000	447,000
Note payable	<u>30,153</u>	<u>0</u>	<u>30,153</u>
Total Liabilities	<u>122,800</u>	<u>505,840</u>	<u>628,640</u>
NET ASSETS			
Investment in capital assets, net of related debt	1,177,810	2,026,015	3,203,825
Unrestricted	<u>261,398</u>	<u>407,847</u>	<u>669,245</u>
TOTAL NET ASSETS	<u>\$1,439,208</u>	<u>\$2,433,862</u>	<u>\$3,873,070</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, 2012

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

	Expenses	Charges for Services	Governmental Activities	Business- Type Activities	Total
ACTIVITIES					
Governmental activities:					
General government	\$208,075	\$0	\$(208,075)	\$0	\$(208,075)
Public safety:					
Police	289,929	15,527	(274,402)	0	(274,402)
Fire	92,913	0	(92,913)	0	(92,913)
City Court	2,685	0	(2,685)	0	(2,685)
Streets and bridges	171,188	0	(171,188)	0	(171,188)
Health and sanitation	4,521	0	(4,521)	0	(4,521)
Interest and fiscal charges	7,095	0	(7,095)	0	(7,095)
Total Governmental Activities	776,406	15,527	(760,879)	0	(760,879)
Business-type activities:					
Water and Sewer	534,531	661,862	0	127,330	127,330
Total Business-type Activities	534,531	661,862	0	127,330	127,330
Total Town of Cottonport	1,310,938	677,389	(760,879)	127,330	(633,549)
GENERAL REVENUES					
Taxes			280,021	0	280,021
Franchise Fees			109,091	0	109,091
Licenses and permits			74,659	0	74,659
Intergovernmental			75,988	35,000	110,988
Unrestricted investment earnings			0	1,071	1,071
Miscellaneous			37,761	0	37,761
Transfers, net			176,000	(176,000)	0
Total general revenues, special items and transfers			753,520	(139,929)	613,592
Change in net assets			(7,359)	(12,598)	(19,957)
Net assets beginning of year			1,446,567	2,446,460	3,893,027
Net assets end of year			\$1,439,208	\$2,433,862	\$3,873,070

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, 2012**

	General Fund	Sales Tax Fund	Volunteer Fire Department Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and interest-bearing deposits	\$66,207	\$59,672	\$80,286	\$153	\$206,317
Receivables:					
Taxes	26,337	14,622	0	0	40,959
Accrued interest	0	0	0	0	0
Other	21,422	0	0	0	21,422
Due from other funds	2,544	0	0	0	2,544
TOTAL ASSETS	\$116,510	\$74,294	\$80,286	\$153	\$271,242
LIABILITIES					
Accounts Payable	\$7,856	\$0	\$0	\$0	\$7,856
Due to other funds	1,987	0	0	0	1,987
Total liabilities	9,843	0	0	0	9,843
FUND BALANCES					
Assigned	0	74,294	80,286	153	154,732
Unassigned	106,666	0	0	0	106,666
Total fund balances	106,666	74,294	80,286	153	261,398
TOTAL LIABILITIES AND FUND BALANCE	\$116,510	\$74,294	\$80,286	\$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.	2,359,557	
Less: accumulated depreciation	(1,068,790)	1,290,767
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds		(112,957)
NET ASSETS OF GOVERNMENTAL ACTIVITIES		\$1,439,208

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, 2012**

	General Fund	Sales Tax Fund	Volunteer Fire Department Fund	Other Governmental Funds	Totals Governmental Funds
REVENUES					
Taxes	\$33,956	\$180,604	\$65,461	\$0	\$280,021
Franchise Fees	109,091	0	0	0	109,091
Licenses and permits	74,659	0	0	0	74,659
Intergovernmental	61,264	0	14,724	0	75,988
Fines and forfeits	15,527	0	0	0	15,527
Miscellaneous	12,878	63	24,820	0	37,761
TOTAL REVENUES	307,376	180,667	105,005	0	593,047
EXPENDITURES					
Current -					
General government	189,998	2,474	0	0	192,471
Public Safety:					
Police	259,203	0	0	0	259,203
Fire	13,726	0	35,372	0	49,098
City Court	2,516	0	0	0	2,516
Streets and bridges	159,223	0	0	0	159,223
Health and sanitation	4,521	0	0	0	4,521
Capital outlay	0	0	37,217	0	37,217
Debt service -					
Principal retirement	0	0	0	36,964	36,964
Interest and fiscal charges	0	0	0	7,095	7,095
TOTAL EXPENDITURES	629,187	2,474	72,589	44,059	748,309
Excess (deficiency) of revenues over expenditures	(321,812)	178,193	32,416	(44,059)	(155,262)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	326,000	0	0	44,059	370,059
Operating transfers out	(13,957)	(150,000)	(30,102)	0	(194,059)
TOTAL OTHER FINANCING SOURCES (USE)	312,043	(150,000)	(30,102)	44,059	176,000
Excess (deficiency) of revenues over expenditures and other sources (uses)	(9,769)	28,193	2,314	0	20,738
FUND BALANCES AT BEGINNING OF YEAR	116,435	46,101	77,972	153	240,660
FUND BALANCES AT END OF YEAR	\$106,666	\$74,294	\$80,286	\$153	\$261,398

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, 2012**

Net change in fund balances - Governmental Funds **\$20,738**

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.

Capital expenditures	37,217
Depreciation expense	(102,278)

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	36,964
----------------	--------

Change in net assets of governmental activities **\$(7,359)**

**TOWN OF COTTONPORT, LOUISIANA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012**

	Business-type Activities
<u>ASSETS</u>	
Cash and interest-bearing bonds	\$328,948
Receivables:	
Accounts	58,964
Other receivables	3,883
Accrued interest	582
Due from other funds	15,470
Restricted assets:	
Cash and interest-bearing deposits	58,840
Capital assets (net of accumulated depreciation)	2,473,015
TOTAL ASSETS	\$2,939,702
 <u>LIABILITIES</u>	
Payable from restricted assets -	
Customers' deposits	58,840
Revenue bonds payable	447,000
 Total Liabilities	 505,840
 NET ASSETS	
Investment in capital assets, net of related debt	2,026,015
Unrestricted	407,847
 TOTAL NET ASSETS	 \$2,433,862

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, 2012**

	Enterprise Fund
<u>OPERATING REVENUES</u>	
Charges for services -	
Water services	\$379,605
Sewer services	177,989
LAWCO water line	104,268
TOTAL OPERATING REVENUES	661,862
<u>OPERATING EXPENSES</u>	
Water department	203,243
Sewer department	159,061
General and administrative	66,747
Depreciation	87,945
TOTAL OPERATING EXPENSES	516,996
OPERATING INCOME (LOSS)	144,865
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Interest income	1,071
Interest expense	(17,535)
Grant revenues	35,000
TOTAL NONOPERATING REVENUES (EXPENSES)	18,536
INCOME (LOSS) BEFORE OPERATING TRANSFERS	163,402
<u>OPERATING TRANSFERS IN (OUT):</u>	
Operating transfers out	(176,000)
TOTAL OPERATING TRANSFERS	(176,000)
NET INCOME (LOSS)	(12,598)
NET ASSETS AT BEGINNING OF YEAR	2,446,460
NET ASSETS AT END OF YEAR	\$2,433,862

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, 2012**

	<u>Enterprise Fund</u>
Cash flows from operating activities	
Receipts from customers	\$663,477
Payments to suppliers	(320,097)
Payments to employees for salaries and benefits	<u>(128,980)</u>
Net cash provided by operating activities	214,400
 Cash flows from noncapital financing activities:	
Due from other funds	54,636
Net increase (decrease) in bonds payable	(27,000)
Operating transfers to other funds	<u>(176,000)</u>
Net cash provided by/(used) for noncapital financing activities	<u>(148,365)</u>
 Cash flows from capital and related financing activities	
Purchase of Capital Assets	(463,976)
Non-recurring grant revenues	<u>35,000</u>
Net cash provided by/(used) for capital and related financing activities	<u>(428,976)</u>
 Cash flows from investing activities:	
Interest received from interest bearing deposits	1,460
Interest paid	<u>(17,535)</u>
Net cash provided by/(used) for investing activities	<u>(16,075)</u>
Net increase (decrease) in cash and cash equivalents	(379,016)
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>766,804</u>
 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u><u>\$387,788</u></u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$144,865
Adjustment to reconcile net income to net cash provided by operating activities:	
Depreciation	87,945
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(2,200)
(Increase) decrease in other receivables	14
Increase (decrease) in accounts payable	(20,027)
Increase (decrease) in customer deposits	<u>3,801</u>
Net cash provided by/(used) for operating activities	<u><u>\$214,400</u></u>

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

**TOWN OF COTTONPORT, LOUISIANA
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2012**

	Agency Funds
<u>ASSETS</u>	
Cash and interest-bearing deposits	<u>\$58,777</u>
TOTAL ASSETS	<u><u>\$58,777</u></u>
<u>LIABILITIES</u>	
Accounts payable	\$42,750
Due to other funds	<u>16,027</u>
TOTAL LIABILITIES	<u>58,778</u>
NET ASSETS	<u><u>\$0</u></u>

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

**TOWN OF COTTONPORT, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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, 2012, 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, 2012.

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 Water Revenue Bonds, Series 2010, payable from proprietary fund revenues, an unsecured note payable from general revenues of the town, and a financing arrangement on a new fire truck payable from revenues generated by the Fire Department.

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, 2012, 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 of Fund Financial Statements

The town adopted the provisions of GASB 54 *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended June 30, 2012. GASB 54 requires the fund balance amounts to be reported within the fund balance categories as follows:

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-spendable – Fund balance that is not in spendable form or is legally or contractually required to be maintained intact. This category includes items that are not easily converted to cash such as inventories or prepaid items.

Restricted – Fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed - Fund balance that can only be used for specific purposes determined by the Town's highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit the funds. Committed fund balance is the result of either a policy of the Town or motions passed at a Town meeting committing the funds.

Assigned - Fund balance that is constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the Town.

Unassigned – Fund balance that is the residual classification for the general fund.

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, 2012, the Town had cash and cash equivalents (book balance) totaling \$652,482 as follows:

Demand deposits	\$ 551,345
Time deposits	<u>101,137</u>
Total	<u>\$ 652,482</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, 2012, are secured as follows:

Federal deposit insurance	\$ 62,236
Pledged securities	<u>609,225</u>
Total	<u>\$ 671,461</u>

As of June 30, 2012, 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, 2012, the Town held investments totaling \$101,137 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 \$47,759, in the general fund consisted of the following at June 30, 2012:

Due from other governmental agencies	
Video Poker Revenue	\$ 3,391
Casino Gaming Revenue	6,472
Beer Tax	1,574
Housing Authority in lieu of taxes	12,400
DOTD Maintenance fees	<u>2,500</u>
Total	<u>\$26,337</u>
Other Receivables	
Franchise Fees	\$21,234
Ad Valorem Taxes	188
NSF Check Receivable	<u>0</u>
Total	<u>\$21,422</u>

In the enterprise fund unbilled utility receivables were immaterial at June 30, 2012. Billed receivables balances at June 30, 2012 consisted of the following:

	<u>Water and Sewer System</u>
<u>Utility Billings</u>	
Current billings	\$55,267
Over 30 days	<u>3,697</u>
	<u>\$58,964</u>

NOTE 5. INTERFUND RECEIVABLES, PAYABLES

The following is a summary of interfund receivable and payable balances at June 30, 2012:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 2,544	\$ 1,987
Enterprise Fund	15,470	0
Agency Funds	<u>0</u>	<u>16,027</u>
Totals	<u>\$ 18,014</u>	<u>\$ 18,014</u>

NOTE 6. RESTRICTED ASSETS – PROPRIETARY FUND TYPE

Restricted assets were applicable to the following at June 30, 2012:

Customer Meter Deposits	<u>\$58,840</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, 2012, are as follows:

	Balance 06/30/2011	Additions	Deletions	Balance 06/30/2012
Governmental activities:				
<u>Capital assets not being depreciated:</u>				
Land and Improvements	\$ 101,031	\$ -	\$ -	\$ 101,031
Construction in Progress	20,000	-	-	20,000
Total capital assets not being depreciated	<u>\$ 121,031</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,031</u>
<u>Capital assets being depreciated:</u>				
Buildings and Improvements	\$ 1,167,985	\$ -	\$ -	\$ 1,167,985
Furniture, Fixtures, and Equipment	311,134	10,072	-	321,206
Vehicles and Tractors	722,190	27,145	-	749,335
Total capital assets being depreciated	<u>\$ 2,201,309</u>	<u>\$ 37,217</u>	<u>\$ -</u>	<u>\$ 2,238,526</u>
<u>Less accumulated depreciation for:</u>				
Buildings and Improvements	\$ 410,818	\$ 21,689	\$ -	\$ 432,507
Furniture, Fixtures, and Equipment	254,147	27,392	-	281,539
Vehicles and Tractors	301,547	53,197	-	354,744
Total accumulated depreciation	<u>\$ 966,512</u>	<u>\$ 102,278</u>	<u>\$ -</u>	<u>\$ 1,068,790</u>
Total Capital assets being depreciated, net	\$ 1,234,797			\$ 1,169,736
For the year ended June 30, 2012, depreciation expense was \$102,278.				
Business-type activities:				
<u>Water department:</u>				
Construction in progress	\$ 328,204	\$ 458,997	\$ -	\$ 787,201
Water lines, well and extensions and equipment	2,019,148	2,490	-	2,021,638
<u>Sewer department</u>				
Treatment facility, lines and equipment	2,147,501	2,489	-	2,149,990
Total Capital assets	4,494,853	463,976		4,958,829
Less accumulated depreciation	<u>(2,397,869)</u>	<u>(87,945)</u>	<u>-</u>	<u>(2,485,814)</u>
Total business-type assets	<u>\$ 2,096,984</u>			<u>\$ 2,473,015</u>
For the year ended June 30, 2012, depreciation expense was \$87,945.				

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, 2012:

	General Obligation	Revenue Bonds
Payable at June 30, 2011	\$ 149,921	\$ 474,000
Add: New Debt Issued	-	-
Less: Payments Made	36,964	27,000
Payable at June 30, 2012	<u>\$ 112,957</u>	<u>\$ 447,000</u>

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 \$2,302 are as follows:

<u>Year Ending June 30</u>	
2013	\$13,957
2014	13,957
2015	<u>4,542</u>
	<u>\$ 32,456</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 \$174,510. 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, 2012:

<u>Year Ending June 30</u>	
2013	\$ 30,102
2014	30,102
2015	<u>30,102</u>
	90,306
Less: amount representing interest	<u>(7,502)</u>
Present value of future lease payments	<u>\$ 82,804</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 \$141,192 are as follows:

<u>Year Ending June 30</u>	
2013	\$ 44,211
2014	44,829
2015	44,400
2016	44,635
2017-2025	<u>410,117</u>
	<u>\$588,192</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, 2012:

Assets	Balance 7/1/2011	Additions	Deletions	Balance 6/30/2012
Cash	\$26,109	\$1,471,316	\$1,438,648	\$58,777
Prepaid, deferred items	21,952	0	21,952	0
	<u>\$48,061</u>	<u>\$1,471,316</u>	<u>\$1,460,600</u>	<u>\$58,777</u>
Liabilities				
Accounts payable	\$2,649	\$1,184,244	\$1,145,611	\$41,282
Retirement payable	1,994	25,792	26,318	1,468
Due to other funds	43,418	1,564,322	1,591,713	16,027
	<u>\$48,061</u>	<u>\$2,774,358</u>	<u>\$2,763,642</u>	<u>\$58,777</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, 2012, taxes of 5.68 mills were levied on property with assessed valuations totaling \$5,967,680 and were dedicated as follows:

General corporate purposes 5.68 mills

Total taxes levied were \$33,896. Taxes receivable at June 30, 2012, were \$188.

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. 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.

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 set at 8.00% 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, 2012, was \$11,445 equal to the required contribution for the year.

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

NOTE 16. 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 10.0% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is set at 26.5% 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 contributed \$2,392 to the System for the year ended June 30, 2012, and had only one employee participating in the plan.

NOTE 17. FUND BALANCES

The following are details of fund balance classifications:

	<u>General</u>	<u>Sales Tax</u>	<u>Volunteer</u>	<u>Other</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Fire Dept</u>	<u>Funds</u>	<u>Total</u>
Assigned	\$ -	\$ 74,294	\$ 80,286	\$ 153	\$ 154,732
Unassigned	106,666	0	0	0	106,666
Total fund balances	<u>\$ 106,666</u>	<u>\$ 74,294</u>	<u>\$ 80,286</u>	<u>\$ 153</u>	<u>\$ 261,398</u>

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, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$32,800	\$32,800	\$33,956	\$1,156
Franchise fees	118,100	113,608	109,091	(4,517)
Licenses and permits	66,020	66,020	74,659	8,639
Intergovernmental	53,400	57,749	61,264	3,515
Fines and forfeits	24,000	13,275	15,527	2,252
Miscellaneous	14,805	14,090	12,878	(1,212)
TOTAL REVENUES	309,125	297,542	307,376	9,834
EXPENDITURES				
General government	144,527	155,062	189,998	(34,936)
Public safety:				
Police	277,663	250,327	259,203	(8,876)
Fire	16,053	16,053	13,726	2,327
City Court	4,050	4,050	2,516	1,534
Streets and bridges	152,330	159,921	159,223	698
Health and sanitation	3,939	3,939	4,521	(582)
Capital outlay	25,200	25,200	0	25,200
TOTAL EXPENDITURES	623,762	614,552	629,187	(14,635)
Deficiency of revenues over expenditures	(314,637)	(317,010)	(321,812)	(4,802)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	300,000	300,000	326,000	26,000
Operating transfers out	(13,957)	(13,957)	(13,957)	(0)
TOTAL OTHER FINANCING SOURCES (USES)	286,043	286,043	312,043	26,000
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$(28,594)	\$(30,967)	(9,769)	\$21,198
FUND BALANCES AT BEGINNING OF YEAR			116,435	
FUND BALANCES AT END OF YEAR			\$106,666	

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, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES</u>				
Taxes	\$160,000	\$160,000	\$180,604	\$20,604
Miscellaneous	70	70	63	(7)
TOTAL REVENUES	<u>160,070</u>	<u>160,070</u>	<u>180,667</u>	<u>20,597</u>
<u>EXPENDITURES</u>				
<i>General government:</i>				
Collection Fee	2,800	2,800	2,462	338
Miscellaneous	12	12	12	0
Total general government expenditure	<u>2,812</u>	<u>2,812</u>	<u>2,474</u>	<u>338</u>
Excess (deficiency) of revenues over expenditures	<u>157,258</u>	<u>157,258</u>	<u>178,193</u>	<u>20,935</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating transfers out	(150,000)	(150,000)	(150,000)	0
TOTAL OTHER FINANCING SOURCES (USES)	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>\$7,258</u>	<u>\$7,258</u>	28,193	<u>\$20,935</u>
FUND BALANCES AT BEGINNING OF YEAR			<u>46,101</u>	
FUND BALANCES AT END OF YEAR			<u>\$74,294</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, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES</u>				
Taxes	\$58,000	\$58,000	\$65,461	\$7,461
Intergovernmental	18,000	18,000	14,724	(3,276)
Miscellaneous	1,200	1,200	24,820	23,620
TOTAL REVENUES	77,200	77,200	105,005	27,805
<u>EXPENDITURES</u>				
Public safety:				
Fire	30,000	30,000	35,372	(5,372)
Capital outlay	10,000	10,000	37,217	(27,217)
TOTAL EXPENDITURES	40,000	40,000	72,589	(32,589)
Excess (deficiency) of revenues over expenditures	37,200	37,200	32,416	(4,784)
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating transfers in	0	0	0	0
Operating transfers out	(37,200)	(37,200)	(30,102)	7,098
TOTAL OTHER FINANCING SOURCES (USES)	(37,200)	(37,200)	(30,102)	7,098
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$0	\$0	2,314	\$2,314
FUND BALANCES AT BEGINNING OF YEAR			77,972	
FUND BALANCES AT END OF YEAR			\$80,286	

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, 2012**

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, 2012**

	Final Budget	Actual	Variance - Favorable (Unfavorable)
<u>TAXES</u>			
Ad Valorem Taxes	\$32,800	\$33,956	\$1,156
TOTAL TAXES	32,800	33,956	1,156
<u>FRANCHISE FEES:</u>			
Cleco Franchise	73,824	71,944	(1,880)
Entex Franchise	13,608	13,608	0
Galaxy Cable Franchise Fee	17,600	15,566	(2,034)
Telephone Franchise Fee	8,576	7,973	(603)
TOTAL FRANCHISE FEES	113,608	109,091	(4,517)
<u>LICENSES AND PERMITS</u>			
Occupational Licenses	63,000	71,494	8,494
Building Permits	30	190	160
Liquor Permits	2,900	2,875	(25)
Moving Permits	90	100	10
TOTAL LICENSES AND PERMITS	66,020	74,659	8,639
<u>INTERGOVERNMENTAL</u>			
Beer taxes	5,400	5,909	509
Housing Authority -In Lieu Tax	12,349	12,400	51
DOTD Road Maintenance	5,000	5,000	0
Video Poker Revenue	16,000	16,504	504
Casino Revenue	19,000	21,451	2,451
TOTAL INTERGOVERNMENTAL	57,749	61,264	3,515
<u>FINES AND FORFEITS:</u>			
Fines	7,275	9,367	2,092
Court Cost	6,000	6,160	160
TOTAL FINES AND FORFEITS	13,275	15,527	2,252
<u>MISCELLANEOUS:</u>			
Late Charges	50	51	1
Excise Tax Refund	1,667	0	(1,667)
Grass cutting	900	665	(235)
Xerox Copies	25	12	(13)
Rental Income - Community Cen	0	4,250	4,250
Inter-Club Christmas Revenue	3,000	3,535	535
Museum Revenue	1,818	1,818	0
Accident Report	630	1,155	525
Rental Income - Community Cen	3,000	0	(3,000)
Miscellaneous Income	2,000	204	(1,796)
Park Family Fun	900	1,062	162
Interest Income	100	127	27
TOTAL MISCELLANEOUS	14,090	12,878	(1,212)
TOTAL REVENUES	\$297,542	\$307,376	\$9,833

**TOWN OF COTTONPORT, LOUISIANA
GENERAL FUND
DETAILED STATEMENT OF FUNCTIONAL EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2012**

	Final Budget	Actual	Variance - Favorable (Unfavorable)
<u>GENERAL GOVERNMENT</u>			
G & A Salaries	\$57,065	\$58,787	\$(1,722)
G & A Payroll Taxes	4,500	4,434	66
G & A Employee Benefits	10,000	27,243	(17,243)
Legal & Auditing	6,000	14,981	(8,981)
Insurance	13,000	17,305	(4,305)
Assessor Fees	1,080	1,080	0
Miscellaneous Exp	2,000	3,853	(1,853)
Museum Expense	6,798	7,321	(523)
Engineering Fees	1,000	0	1,000
Office Supply & Postage	4,000	7,137	(3,137)
Publications & Printing	1,600	1,429	171
Dues & Subscriptions	1,600	3,238	(1,638)
Town Hall Expenses	2,000	2,853	(853)
Telephone Expense	5,600	4,665	935
Coroner's fees	1,000	1,100	(100)
Utilities	4,800	4,667	133
Community Center Expenses	4,000	3,992	8
Travel	6,000	6,515	(515)
Bank Service Charge	12	12	0
Park Expenses	1,800	1,611	189
Xerox Copier Rental Payments	1,835	1,070	765
Christmas Decoration Expense	3,000	3,819	(819)
Christmas Fireworks Expense	3,000	3,000	0
Christmas Festival Misc Expen	9,172	9,172	0
Inter-Club Christmas Expense	3,000	0	3,000
Park Family Fun Expense	900	715	185
Veteran's Memorial Expenses	300	0	300
TOTAL GENERAL GOVERNMENT	155,062	189,998	(34,936)
 <u>PUBLIC SAFETY:</u>			
POLICE			
Salaries	137,481	143,553	(6,072)
Salaries	29,744	29,744	0
Payroll Taxes	18,900	14,642	4,258
Employee Benefits	10,300	13,443	(3,143)
Patrol Car Expenses	30,000	33,899	(3,899)
Uniforms	1,000	1,911	(911)
Insurance	12,102	12,242	(140)
Material & Supplies	1,500	3,223	(1,723)
Telephone Expense	2,700	2,546	154
Miscellaneous Expense	2,000	312	1,688
Utilities	3,000	2,176	824
Repairs & maintenance	0	1,220	(1,220)
Training	1,600	295	1,305
TOTAL POLICE	250,327	259,203	(8,876)

**TOWN OF COTTONPORT, LOUISIANA
GENERAL FUND
DETAILED STATEMENT OF FUNCTIONAL EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2012**

	Final Budget	Actual	Variance - Favorable (Unfavorable)
<u>PUBLIC SAFETY (CONTINUED)</u>			
FIRE			
Salaries	\$3,900	\$3,900	\$0
Payroll Taxes	298	298	0
Employee Benefits	285	312	(27)
Truck Expense	1,300	1,068	232
Materials & Supplies	0	101	(101)
Insurance	850	910	(60)
Telephone Expense	920	939	(19)
Miscellaneous Expense	900	1,730	(830)
Utilities - CVFD	5,600	4,383	1,217
First Responders	2,000	85	1,915
TOTAL FIRE	16,053	13,726	2,327
CITY COURT			
Magistrate Fees	1,200	1,200	0
Office Supplies/postage	250	352	(102)
Prisoner Rations	800	324	476
Miscellaneous Expense	1,500	135	1,365
Police travel expense	300	0	300
Police Travel Expense	0	200	(200)
Court Clerk Pay	0	5	(5)
Bailliff's fee	0	300	(300)
TOTAL CITY COURT	4,050	2,516	1,534
<u>STREETS AND BRIDGES</u>			
Salaries	65,000	58,377	6,623
Payroll Taxes	4,300	4,466	(166)
Employee Benefits	13,500	13,145	355
Truck/Backhoe Expense	7,195	12,977	(5,782)
Tractor Expenses	3,500	562	2,938
Materials & Supplies	11,027	5,429	5,598
Repairs & Maintenance	10,506	19,003	(8,497)
Vapor Lights	30,500	29,513	987
Fountain Expense	2,500	2,210	290
Animal Control Expense	0	147	(147)
Misc Expense	5,535	105	5,430
Uniforms	930	977	(47)
Insurance	5,428	5,679	(251)
Equipment rental - streets	0	2,600	(2,600)
Inmates meals	0	4,035	(4,035)
TOTAL STREETS AND BRIDGES	159,921	159,223	698

**TOWN OF COTTONPORT, LOUISIANA
GENERAL FUND
DETAILED STATEMENT OF FUNCTIONAL EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2012**

	Final Budget	Actual	Variance - Favorable (Unfavorable)
<u>HEALTH AND SANITATION</u>			
Pest Control	\$275	\$300	\$(25)
Solid Waste Disposal	1,664	2,496	(832)
First Responder's Expense	<u>2,000</u>	<u>1,725</u>	<u>275</u>
TOTAL HEALTH AND SANITATION	<u>3,939</u>	<u>4,521</u>	<u>(582)</u>
<u>CAPITAL OUTLAY</u>			
Capital Outlay	200	0	200
Capital Outlay - Streets	<u>25,000</u>	<u>0</u>	<u>25,000</u>
TOTAL CAPITAL OUTLAY	<u>25,200</u>	<u>0</u>	<u>25,200</u>
TOTAL EXPENDITURES	<u><u>\$614,552</u></u>	<u><u>\$629,187</u></u>	<u><u>\$(14,634)</u></u>

**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, 2012**

	Final Budget	Actual	Variance - Favorable (Unfavorable)
<u>WATER DEPARTMENT</u>			
Salaries	\$22,318	\$21,758	\$560
Payroll Taxes	2,000	1,664	336
Employee Benefits	4,307	4,307	0
Materials & Supplies	6,000	9,085	(3,085)
Chemicals	26,000	22,549	3,451
Trucks/Backhoes Expenses	5,000	5,708	(708)
Repairs & Maintenance	24,656	26,721	(2,065)
Water Tank Maintenance	2,500	2,491	9
Telephone Expense	4,200	4,223	(23)
Utilities	83,334	83,115	219
Insurance	13,345	14,650	(1,305)
Miscellaneous	5,577	217	5,360
Bad Debt Expense	100	0	100
Uniforms	435	395	40
Engineering Fees	3,820	3,820	0
Test Wells	1,200	2,297	(1,097)
LA One Call	0	242	(242)
Depreciation	37,296	37,794	(498)
TOTAL WATER DEPARTMENT	\$242,088	\$241,036	\$1,052
<u>SEWER DEPARTMENT</u>			
Salaries	\$43,715	\$43,783	\$(68)
Payroll Taxes	3,315	3,288	27
Employee Benefits	6,728	6,742	(14)
Materials & Supplies	12,431	5,065	7,366
Chemicals	10,000	9,631	369
Trucks/Backhoes Expense	10,000	9,492	508
Repairs & Maintenance	5,882	22,486	(16,604)
Insurance	18,860	23,635	(4,775)
Miscellaneous	8,734	827	7,907
Utilities	21,124	20,000	1,124
Licenses & permits	0	1,049	(1,049)
Sludge removal	0	2,295	(2,295)
Uniforms	260	3,484	(3,224)
Engineering Fees	500	1,008	(508)
Analysis Fees	0	6,278	(6,278)
Depreciation	49,654	50,152	(498)
TOTAL SEWER DEPARTMENT	\$191,203	\$209,215	\$(18,012)
<u>GENERAL AND ADMINISTRATIVE</u>			
G & A Salaries	\$48,700	\$36,910	\$11,790
G & A Payroll Taxes	3,800	2,815	985
G&A Employee Benefits	9,000	7,713	1,287
Legal & Auditing	7,500	12,167	(4,667)
Computer expense	0	2,047	(2,047)
Dues & subscriptions	0	400	(400)
Office Supply & Postage	4,000	3,725	275
Bank Service Charges	45	78	(33)
Miscellaneous	1,800	892	908
TOTAL GENERAL AND ADMINISTRATIVE	\$74,845	\$66,747	\$8,098

**TOWN OF COTTONPORT, LOUISIANA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

	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, 2012**

	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	<u>0</u>	<u>0</u>	<u>0</u>
<u>EXPENDITURES</u>			
General government	0	0	0
Capital outlay	0	0	0
Debt service	44,059	0	44,059
TOTAL EXPENDITURES	<u>44,059</u>	<u>0</u>	<u>44,059</u>
Excess (deficiency) of revenues over expenditures	<u>(44,059)</u>	<u>0</u>	<u>(44,059)</u>
<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)	<u>44,059</u>	<u>0</u>	<u>44,059</u>
Excess (deficiency) of revenues and other sources			
FUND BALANCES AT BEGINNING OF YEAR	<u>0</u>	<u>153</u>	<u>153</u>
FUND BALANCES AT END OF YEAR	<u>\$0</u>	<u>\$153</u>	<u>\$153</u>

**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, 2012, 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 INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
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 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, 2012, which collectively comprise the Town of Cottonport, Louisiana's basic financial statements and have issued our report thereon dated October 5, 2012. 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

Management of the Town of Cottonport, Louisiana is responsible for establishing and maintaining effective 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.

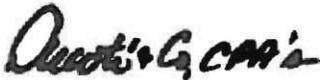
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination 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 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 12-01. 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 and Other Matters

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 agreements, 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 one instance 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 12-02.

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

October 5, 2012

TOWN OF COTTONPORT, LOUISIANA
Summary of Findings, and Responses
For the Year Ended June 30, 2012

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 2012.

Section II-Financial Statement Findings

There is one finding applicable to internal control labeled 12-01, and one finding relative to compliance labeled 12-02 as discussed in detail in Section IV.

Section III – Federal Award Findings and Questioned Costs

Not applicable for the fiscal year ended June 30, 2012.

TOWN OF COTTONPORT, LOUISIANA
Summary of Findings and Responses (Continued)
For the Year Ended June 30, 2012

Section IV – Summary of Current Year Audit Findings

Internal Control Deficiencies and Compliance Material to the Financial Statements

Finding 12-01: Police ticket tracking, monitoring and collection of fines.

Condition Found: Currently the town utilizes a manual system of tracking tickets issued and their ultimate disposition and/or payment. The information is maintained on an excel spreadsheet and requires a manual search through pages of data to find an old outstanding ticket, warrant or balance owed. A manual tickler system is utilized to send notices when a payment due date is missed or if it is time to issue a warrant for non-payment. This manual system lends itself to inaccuracies and omissions due to human error and the difficulty in tracking the information.

Cause: The volume of transactions that have to be accounted for and tracked for multiple years is very burdensome and time consuming on a manual system.

Recommendation: Management should consider implementing a computerized data base or specialized software program to track tickets, warrants and payments in order to maximize collection of fines and minimize the work involved in manually tracking this information. A computerized system would significantly increase the accuracy of tracking all citations and their ultimate disposition

Management's Response and Corrective Action Plan: Management has been looking into the cost of a ticket tracking program and plans to implement one as soon as funds are made available, which should be within the next twelve months.

Finding 12-02: 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, 2012

<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>
<u>Section I – Internal Control and Compliance Material to the Financial Statements</u>				
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	
11-01	Prior period adjustments made to cash accounts resulted in cash reconciliation errors.	Adjustments made to cash accounts resulted in differences on the cash reconciliations.	Yes	
11-02	Failure to submit financial statements timely.	The town did not file the annual within six months as required.	Yes	

Section II – Internal Control and Compliance Material to Federal Awards

None reported in prior year.

Section III – Management Letter

None reported in prior year.