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**Town of Benton
Benton, Louisiana**

General Purpose Financial Statements

As of and for the Year Ended December 31, 2001

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

Release Date 9/18/02

Town of Benton
Benton, Louisiana

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Independent Auditors' Report

Town of Benton
Benton, Louisiana

We have audited the accompanying general purpose financial statements of the Town of Benton, Louisiana, as of and for the year ended December 31, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town of Benton's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Benton, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types 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 June 18, 2002 on our consideration of the Town of Benton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

The accompanying financial information listed as supporting schedules in the table of contents and shown on pages 28–30 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Town of Benton. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.



Cook & Morehart
Certified Public Accountants
June 18, 2002

Town of Benton
Benton, Louisiana
Combined Balance Sheet All Fund Types and Account Groups
December 31, 2001

	Governmental Fund Types				Proprietary Fund Type	Accounts Groups			Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects		General Fixed Assets	General Long-Term Debt		
Assets and Other Debits									
Cash	\$ 727,623	\$ 463,943	\$ 102,285	\$ 32,264	\$ 757,026	\$	\$	\$	\$ 2,083,141
Receivables -									
Accounts		3,611			75,507				79,118
Taxes	22,790								22,790
Accrued interest receivable	1,787	97			1,728				3,612
Due from other funds	9,575	60							9,635
Restricted assets - cash					1,568,064				1,568,064
Property and equipment, net					3,230,283	1,233,264			4,463,547
Other assets	3,559				197				3,756
Amount available in debt service funds							102,285		102,285
Amount to be provided for retirement of general long-term debt							272,715		272,715
Total assets and other debits	\$ 765,334	\$ 467,711	\$ 102,285	\$ 32,264	\$ 5,632,805	\$ 1,233,264	\$ 375,000	\$	\$ 8,608,663

The accompanying notes are an integral part of this statement.

Town of Benton
Benton, Louisiana
Combined Balance Sheet All Fund Types and Account Groups
December 31, 2001
(Continued)

	Governmental Fund Types			Proprietary Fund Type	Accounts Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service		Capital Projects	Enterprise	
Liabilities, Fund Equity and Other Credits							
Liabilities:							
Accounts payable	\$ 24,180	\$	\$	\$ 80,312	\$ 70,883	\$	\$ 175,375
Due to other funds	60	3,747			5,828		9,635
Sales tax payable					1,496		1,496
Payroll taxes payable	13,862				1,927		15,789
Payable from restricted assets:							
Revenue bonds - current maturities					25,000		25,000
Accrued interest					15,394		15,394
Customers' deposits					84,851		84,851
General obligation bonds payable						375,000	375,000
Revenue bonds payable - long term					835,000		835,000
Other notes payable							
Total liabilities	38,102	3,747		80,312	1,040,379		1,537,540
Fund equity and other credits:							
Contributed capital					1,538,561		1,538,561
Investment in general fixed assets						1,233,264	1,233,264
Retained earnings -							
Reserved for revenue bonds					1,483,213		1,483,213
Unreserved					1,570,652		1,570,652
Fund balances -							
Reserved for debt service			102,285				102,285
Unreserved, undesignated	727,232	463,964		(48,048)			1,143,148
Total fund equity	727,232	463,964	102,285	(48,048)	4,592,426	1,233,264	7,071,123
Total liabilities, fund equity and other credits	\$ 765,334	\$ 467,711	\$ 102,285	\$ 32,264	\$ 5,632,805	\$ 1,233,264	\$ 8,608,663

The accompanying notes are an integral part of this statement.

Town of Benton
Benton, Louisiana
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Fund Types
For the Year Ended December 31, 2001

Revenues:	General	Special Revenue	Debt Service	Capital Projects	Total (Memorandum Only)
Taxes					
Ad valorem	\$ 63,772	\$	\$	\$	\$ 63,772
Franchise	45,416				45,416
Sales	244,921	247,083			492,004
Licenses and permits	113,072				113,072
Intergovernmental					
Other	3,200				3,200
State and federal grants				380,439	380,439
Fines and forfeits	133,409				133,409
Other	51,650			400,153	451,803
Interest income	19,417	8,259	1,731	590	29,997
Total revenues	<u>674,857</u>	<u>255,342</u>	<u>1,731</u>	<u>781,182</u>	<u>1,713,112</u>
Expenditures:					
Current -					
General government	335,667				335,667
Public safety -					
Police	235,069				235,069
Capital outlay	49,101			985,438	1,034,539
Debt service:					
Principal retirement			25,000		25,000
Interest and fiscal charges			27,972		27,972
Total expenditures	<u>619,837</u>		<u>52,972</u>	<u>985,438</u>	<u>1,658,247</u>
Excess of revenues over (under) expenditures	<u>55,020</u>	<u>255,342</u>	<u>(51,241)</u>	<u>(204,256)</u>	<u>54,865</u>
Other financing sources (uses):					
Operating transfers in	136,695		98,929	106,197	341,821
Operating transfers out	(106,197)	(235,624)			(341,821)
Total other financing sources (uses)	<u>30,498</u>	<u>(235,624)</u>	<u>98,929</u>	<u>106,197</u>	
Excess of revenues and other sources over (under) expenditures and other uses	85,518	19,718	47,688	(98,059)	54,865
Fund balances at beginning of year	<u>641,714</u>	<u>444,246</u>	<u>54,597</u>	<u>50,011</u>	<u>1,190,568</u>
Fund balances (deficit) at end of year	<u>\$ 727,232</u>	<u>\$ 463,964</u>	<u>\$ 102,285</u>	<u>\$ (48,048)</u>	<u>\$ 1,245,433</u>

The accompanying notes are an integral part of this statement.

Town of Benton
Benton, Louisiana
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget (GAAP Basis) and Actual - General, Special Revenue, Debt Service, and Capital Projects Fund Types
For the Year Ended December 31, 2001

	General Fund			Special Revenue Fund Types		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:						
Taxes						
Ad valorem	\$ 63,000	\$ 63,772	\$ 772	\$	\$	\$
Franchise	42,500	45,416	2,916			
Sales	230,000	244,921	14,921	230,000	247,083	17,083
Licenses and permits	113,800	113,072	(728)			
Intergovernmental						
Other	3,200	3,200				
State and federal grants						
Fines and forfeits	130,000	133,409	3,409			
Other	45,244	51,650	6,406			
Interest income	15,000	19,417	4,417	9,300	8,259	(1,041)
Total revenues	<u>642,744</u>	<u>674,857</u>	<u>32,113</u>	<u>239,300</u>	<u>255,342</u>	<u>16,042</u>
Expenditures:						
General government	400,630	335,667	64,963			
Public safety -						
Police	236,650	235,069	1,581			
Capital outlay		49,101	(49,101)			
Debt service:						
Principal retirement						
Interest and fiscal charges						
Total expenditures	<u>637,280</u>	<u>619,837</u>	<u>17,443</u>			
Excess of revenues over (under) expenditures	<u>5,464</u>	<u>55,020</u>	<u>49,556</u>	<u>239,300</u>	<u>255,342</u>	<u>16,042</u>
Other financing sources (uses):						
Operating transfers in	179,000	136,695	(42,305)			
Operating transfers out	(132,867)	(106,197)	26,670	(235,645)	(235,624)	21
Other financing sources (uses)	<u>46,133</u>	<u>30,498</u>	<u>(15,635)</u>	<u>(235,645)</u>	<u>(235,624)</u>	<u>21</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>51,597</u>	<u>85,518</u>	<u>33,921</u>	<u>3,655</u>	<u>19,718</u>	<u>16,063</u>
Fund balances - January 1, 2001		<u>641,714</u>	<u>641,714</u>		<u>444,246</u>	<u>444,246</u>
Fund balances - December 31, 2001	<u>\$ 51,597</u>	<u>\$ 727,232</u>	<u>\$ 675,635</u>	<u>\$ 3,655</u>	<u>\$ 463,964</u>	<u>\$ 460,309</u>

The accompanying notes are an integral part of this statement.

(Continued)

Town of Benton
Benton, Louisiana
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget (GAAP Basis) and Actual - General, Special Revenue, Debt Service, and Capital Projects Fund Types
For the Year Ended December 31, 2001
(Continued)

	Debt Service Fund Type			Capital Projects Fund Type		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:						
Taxes						
Ad valorem	\$	\$	\$	\$	\$	\$
Franchise						
Sales						
Licenses and permits						
Intergovernmental						
Tobacco taxes						
State and federal grants				380,439	380,439	
Fines and forfeits						
Other				400,153	400,153	
Interest income	2,100	1,731	(369)	709	590	(119)
Total revenues	<u>2,100</u>	<u>1,731</u>	<u>(369)</u>	<u>781,301</u>	<u>781,182</u>	<u>(119)</u>
Expenditures:						
General government						
Public safety -						
Police						
Capital outlay				931,797	985,438	(53,641)
Debt service:						
Principal retirement	25,000	25,000				
Interest and fiscal charges	28,272	27,972	300			
Total expenditures	<u>53,272</u>	<u>52,972</u>	<u>300</u>	<u>931,797</u>	<u>985,438</u>	<u>(53,641)</u>
Excess of revenues over (under) expenditures	<u>(51,172)</u>	<u>(51,241)</u>	<u>(69)</u>	<u>(150,496)</u>	<u>(204,256)</u>	<u>(53,760)</u>
Other financing sources (uses):						
Operating transfers in	98,950	98,929	(21)	132,867	106,197	(26,670)
Operating transfers out						
Other financing sources (uses)	<u>98,950</u>	<u>98,929</u>	<u>(21)</u>	<u>132,867</u>	<u>106,197</u>	<u>(26,670)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>47,778</u>	<u>47,688</u>	<u>(90)</u>	<u>(17,629)</u>	<u>(98,059)</u>	<u>(80,430)</u>
Fund balances - January 1, 2001		<u>54,597</u>	<u>54,597</u>	<u>18,379</u>	<u>50,011</u>	<u>31,632</u>
Fund balances (deficit) - December 31, 2001	<u>\$ 47,778</u>	<u>\$ 102,285</u>	<u>\$ 54,507</u>	<u>\$ 750</u>	<u>\$ (48,048)</u>	<u>\$ (48,798)</u>

The accompanying notes are an integral part of this statement.

Town of Benton
 Benton, Louisiana
 Combined Statement of Revenues, Expenses, and Changes in Retained Earnings
 All Proprietary Fund Types
 For the Year Ended December 31, 2001

	Enterprise
Operating revenues:	
Charges for service-	
Water sales	\$ 477,777
Sewerage service charges	197,713
Solid waste collection	80,241
Other charges and fees	86,898
Total operating revenues	842,629
 Operating expenses:	
Salaries	188,268
Payroll taxes	18,748
Office expense	14,184
Insurance	48,859
Professional Fees	14,575
Repairs and maintenance	57,250
Telephone	6,059
Utilities	34,674
Travel and training	1,441
Vehicle operations	5,967
Commerical hauling	75,823
Miscellaneous	12,866
Supplies	5,112
Water purchases	200,076
Depreciation	97,275
Total operating expenses	781,177
 Operating income (loss)	61,452
 Non-operating revenues (expenses):	
Interest income	50,926
Interest expense	(66,237)
Sales tax	123,541
Total non-operating revenues (expenses)	108,230
 Net income (loss)	169,682
 Depreciation transferred to contributions	51,917
Increase (decrease) in retained earnings	221,599
 Retained earnings - January 1, 2001	2,832,266
Retained earnings - December 31, 2001	\$ 3,053,865

The accompanying notes are an integral part of this statement.

Town of Benton
 Benton, Louisiana
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 For the Year Ended December 31, 2001

	Enterprises
Cash flows from operating activities:	
Operating net income (loss)	\$ 61,452
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	97,275
(Increase) decrease in accounts receivable	(1,030)
(Increase) decrease in due from other funds	42,080
(Increase) decrease in accrued interest receivable	(1,728)
(Increase) decrease in other assets	(197)
Increase (decrease) in accounts payable	10,173
Increase (decrease) in payroll taxes payable	1,927
Increase (decrease) in sales tax payable	1,496
Increase (decrease) in due to other funds	5,828
Increase (decrease) in customers' deposits	5,591
Increase (decrease) in accrued interest payable	15,394
	238,261
Cash flows from non-capital financing activities:	
Sales tax collections	123,541
Cash flows from capital and related financing activities:	
Principal paid on revenue bonds and notes payable	(20,000)
Interest paid on revenue bonds and notes payable	(66,237)
Fixed asset additions	(228,385)
	(314,622)
Cash flows from investing activities:	
Interest income	50,926
Net increase (decrease) in cash and cash equivalents	98,106
Cash and cash equivalents - January 1, 2001	2,226,984
Cash and cash equivalents - December 31, 2001	\$ 2,325,090

Supplemental disclosure:

Cash paid for interest in 2001 was \$49,158.

The accompanying notes are an integral part of this statement.

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2001

(1) Summary of Significant Accounting Policies

The Town of Benton is incorporated under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Aldermen form of government.

A. Basis of Presentation

The accompanying general purpose financial statements of the Town of Benton have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

As the municipal governing authority, for reporting purposes, the Town of Benton is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (Town of Benton), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Town of Benton 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. This criteria includes:

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

As required by generally accepted accounting principles, these financial statements present the Town of Benton and its component unit. The component unit included in the accompanying financial statements is blended with the Town's funds.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2001
(Continued)

Blended Component Unit

Component units that are legally separate from the Town but are so intertwined with the Town that they are, in substance, the same as the Town are blended component units. For a component unit to be blended, the organization's board and the Town must be substantively the same, or the organization must provide services entirely or almost entirely to the Town. The following component unit is reported as part of the Town and blended with the appropriate Town funds:

Metropolitan Planning Commission

The Metropolitan Planning Commission is responsible for the orderly physical development of the Town and the surrounding planning area. The Commission make recommendations to the Board of Aldermen and the Parish Police Jury. The Metropolitan Planning Commission consists of five members with two appointed by both Town and the Town of Benton and one member is elected by joint action of the governing authorities. Although the Commission is legally separate, the Town acts as its fiscal agent and has the ability to modify and approve its budget. Separate financial statements are not issued on the Commission since its revenues and expenditures have been historically included as part of the General Fund within the Town's financial statements. Since the Commission provides services almost entirely to the Town and due to the significance of the fiscal dependency relationship, it has been blended with the Town's financial statements.

C. Fund Accounting

The Town uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds of the Town are classified into two categories: governmental and proprietary. In turn, each category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Governmental Funds

Governmental funds are used to account for all or most of the Town's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. Governmental funds include:

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2001
(Continued)

General Fund – the general operating fund of the Town and accounts for all financial resources except those required to be accounted for in other funds.

Special Revenue Funds – account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds – account for transactions relating to resources retained and used for the payment of principal and interest on those long-term obligations recorded in the general long-term debt account group.

Capital Projects Funds – This fund accounts for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. Proprietary funds include:

Enterprise Funds – 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 user 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 account groups of the town are described as follows:

General Fixed Assets Account Group

The General Fixed Assets Account Group is used to account for fixed assets used in governmental fund type operations for control purposes. No depreciation is recorded on general fixed assets.

General Long-Term Debt Account Group

The General Long-Term Debt Account Group is used to account for long-term liabilities to be financed from government funds.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2001
(Continued)

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used by governmental fund types. Under the modified accrual basis, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, franchise taxes, licenses, interest revenue, and charges for services. Sales taxes collected and held by the collecting government at year-end on behalf of the Town also are recognized as revenue. Fines and permit revenues are not susceptible to accrual because generally they are not measurable until received as cash.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. The proprietary funds use the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time liabilities are incurred.

E. Budget and Budgetary Accounting

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

1. The Mayor prepares a proposed budget and submits same to Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public 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 after publication of the call for the hearing.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2001
(Continued)

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 an ordinance 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 or function to another, or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for the General, Special Revenue, Debt Service, and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts in the accompanying statements are as originally adopted, or as amended by the Board of Aldermen

F. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. The commitments (purchase order, contracts, and other commitments for the expenditure of funds) are not treated as expenditures until a liability for payment is incurred, but are merely used to facilitate effective budget control and cash planning and management. Encumbrance accounting where a portion of the applicable appropriation is reserved for open purchase orders is not employed by the Town of Benton.

G. Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. 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 or any other state of the United States, or under the laws of the United States.

Under state law, the Town of Benton, Louisiana may invest in United States bonds, treasury notes, or certificates. 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.

H. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2001
(Continued)

I. Fixed Assets

General Fixed Assets Account Group

Fixed assets of governmental funds are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized (reported) in the general fixed assets account group. Public domain ("infrastructure") general fixed assets are not capitalized along with other general fixed assets. No depreciation has been provided on such assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair value on the date donated. Repairs and maintenance are recorded as expenditures; renewals and betterments are capitalized.

Proprietary Fund

Additions to the utility plant in service are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Sewer and Water System	15 – 40 years
Equipment	5 – 10 years

J. Compensated Absences

The Town's policy allows annual leave based upon years of service. Employees must use all annual leave during the year in which it is earned or within the next three succeeding calendar months. Unused annual leave accumulated by an employee at the time of termination (not to exceed the amount of leave the employee can earn in one year) shall be paid in a lump sum with the employee's final pay. Accumulated unused annual leave is estimated to be immaterial by management, and is therefore not accrued.

The Town's policy allows sick leave based upon time worked. Employees may carryover unused sick leave, but will not be paid for unused sick leave upon separation from employment.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2001
(Continued)

K. Long-Term Obligations

Long-term obligations expected to be financed from governmental funds are reported in the general long-term debt account group. Expenditures for principal and interest payments for long-term obligations are recognized in the governmental funds when due. Long-term obligations expected to be financed from proprietary fund operations are accounted for in those funds.

L. Fund Equity

Contributed Capital

Contributed capital is recorded in proprietary funds for capital grants restricted for the acquisition or construction of capital assets. Contributed capital is amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources. This depreciation is closed to the contributed capital account and is reflected as an adjustment to net income.

Reserves

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers of the primary government are reported as operating transfers.

N. Sales Taxes

The General Fund and Special Revenue Fund accounts for the collection of a one cent sales and use tax each and the distribution of these taxes to other funds of the Town. Also, the enterprise fund accounts for a one-half cent sales and use tax dedicated for sewer system improvements and upkeep. For financial reporting purposes, sales taxes are recorded as revenue in the General, Special Revenue and Enterprise Funds net of collection expenses.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2001
(Continued)

In 1989, the voters approved the issuance of public improvement bonds and rededicated the proceeds from the original one cent sales tax to pay any balance due to service the annual debt not covered by an additional one cent sales tax approved in conjunction with the bonds. Any remaining proceeds are used to pay general operating expenses of the Town.

In 1989, an additional one cent sales tax was approved by the voters. This revenue, net of expenses incurred in collecting the tax, is to be used for scheduled monthly payments to the Debt Service Fund for debt service requirements. The remaining amount, if any, is to be used for street and drainage improvements.

In 1990, a half cent sales tax was approved by the voters for the purpose of paying for improvements to and the upkeep of the Sewer System within the Town.

In 1989 and effective January 1, 1990, the Town entered into an agreement with the City of Bossier City, Louisiana for the City of Bossier City, Louisiana to collect and distribute to the Town it's two and one-half cent sales and use tax. The City of Bossier City, Louisiana charges 1% of the sales tax collected for these services.

O. Bad Debts

Uncollectible amounts due for ad valorem taxes, customer's utility receivables, and special assessments are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable.

P. Total Columns on Combined Statements

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in those columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Q. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Enterprise Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

(Continued)

Town of Benton
 Benton, Louisiana
 Notes to Financial Statements
 December 31, 2001
 (Continued)

R. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

(2) Expenditures – Actual and Budget

The following individual fund had actual expenditures over budgeted expenditures for the year ended December 31, 2001:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Capital Projects Fund	\$ 931,797	\$ 985,438	\$ (53,641)

(3) Levied Taxes

Ad valorem taxes are assessed on a calendar year basis and attach as an enforceable lien and become due and payable on the date the tax rolls are filed with the recorder of mortgages. State law requires that the tax roll be filed on or before November 15 of each year. Ad valorem taxes become delinquent if not paid by December 31.

The following is a summary of authorized and levied ad valorem taxes for the year:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
General Fund	7.23	7.23	
Streets	4.96	4.96	2005

(4) Cash and Cash Equivalents

The following is a summary of cash and cash equivalents (book balances) at December 31, 2001:

Petty cash	\$ 250
Interest-bearing demand deposits	722,570
Money market accounts	2,417,729
Time deposits	510,656
 Total	 <u>\$ 3,651,205</u>

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2001
(Continued)

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

At December 31, 2001, the Town had \$3,768,936 in deposits (collected bank balances). These deposits are secured from risk by \$220,000 of federal deposit insurance and \$3,548,936 of pledged securities held by the custodial bank in the name of the fiscal agent bank. The accounts are held at two different Louisiana banks.

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

(Continued)

Town of Benton
 Benton, Louisiana
 Notes to Financial Statements
 December 31, 2001
 (Continued)

(5) Fixed Assets

A summary of changes in general fixed assets for the year follows:

	<u>Balance</u> <u>January 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31, 2001</u>
Land	\$ 192,102	\$ -	\$ -	\$ 192,102
Building	616,511	-	-	616,511
Equipment	<u>450,730</u>	<u>49,101</u>	<u>75,180</u>	<u>424,651</u>
Total general fixed assets	<u>\$ 1,259,343</u>	<u>\$ 49,101</u>	<u>\$ 75,180</u>	<u>\$ 1,233,264</u>

A summary of proprietary fund type property, plant and equipment at December 31, 2001 follows:

	<u>Total</u>
Transportation	\$ 103,506
Water meters	193,341
Water lines	1,384,072
Sewer system	1,893,514
Sewer equipment	761,238
Solid waste disposal	17,606
Billing system computer	41,685
Land	20,000
Total	<u>4,414,962</u>
Less accumulated depreciation	(1,184,679)
Net	<u>\$ 3,230,283</u>

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2001
(Continued)

(6) Pension Plans

Municipal Employees Retirement System of Louisiana (System) Employees of the Town (except for police employees) are members of The Municipal Employees Retirement System of Louisiana. The System is a cost-sharing, multiple-employer, defined benefit pension plan administered by a separate board of trustees. Pertinent information relative to the Plan follows:

The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All 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 and all elected municipal officials 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 percent of their final-average monthly salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3 percent 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 percent of final-average salary. 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. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (504) 925-4810.

Under Plan B, members are required by state statute to contribute 5.0 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 4.5 percent of annual covered payroll. Contributions to the System also include one-four of one percent (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town are established and may be amended by state statute.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2001
(Continued)

As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on results of the valuation for the prior fiscal year. The Town contributions to the System under Plan B for the year ending December 31, 2001 were \$10,732, equal to the required contributions for the year.

Municipal Police Employees Retirement System of Louisiana (System) Police employees of the Town are members of Municipal Police Employee's Retirement System of Louisiana. This is a statewide retirement system. This system is a cost-sharing, multiple-employer, defined benefit pension plan administered by a separate board of trustees. Pertinent information relative to the plan follows:

All full-time police department employees engaged in law enforcement are required to participate in the System. 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 per cent 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 previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 9.0 percent 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 Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town contributions to the System for the year ending December 31, 2001, were \$6,100, equal to the required contribution for the year.

(7) **Other Postemployment Benefits**

The Town provides no other postemployment benefits to its employees.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2001
(Continued)

(8) Salaries and Payroll Taxes Payable

The following is a summary of salaries and payroll taxes payable at December 31, 2001:

	General	Enterprise	Total
Salaries	\$ 6,019	\$ 1,927	\$ 7,946
Payroll taxes	7,843	-	7,843
Total	\$ 13,862	\$ 1,927	\$ 15,789

(9) Changes in General Long-Term Obligations

The following is a summary of the long-term obligation transactions for the year ended December 31, 2001:

	General Obligation Bonds	Revenue Bonds	Total
Obligations payable at January 1, 2001	\$ 400,000	\$ 880,000	\$ 1,280,000
Less principal payments year ended December 31, 2001	(25,000)	(20,000)	(45,000)
Obligations payable at December 31, 2001	\$ 375,000	\$ 860,000	\$ 1,235,000

Obligations payable at December 31, 2001 are comprised of the following individual issues:

General obligation bonds:

\$585,000 dated 7/1/90; due in annual installments of \$15,000 - \$55,000 through July 1, 2010; interest at 7% to 12.0%. The debt redemption is paid from the Debt Service Fund.

\$ 375,000

Sales tax revenue bonds:

\$410,000 dated 2/1/98. Due in annual installments of \$10,000 - \$35,000 through February 1, 2018; interest at 4.5% to 7%.

380,000

(Continued)

Town of Benton
 Benton, Louisiana
 Notes to Financial Statements
 December 31, 2001
 (Continued)

Utilities revenue bonds:

\$500,000 dated 10/1/99. Due in annual installments of \$10,000 - \$35,000 through October 1, 2024; interest at 5.15% to 8%.

480,000

Total revenue bonds

\$ 860,000

Changes in General Long-Term Obligations (Continued)

At December 31, 2001, the Town has accumulated \$463,964 in debt services funds for future debt requirements. The annual requirements to amortize all bonds outstanding at December 31, 2001, including interest of \$148,455 for the General Obligation Bonds and \$602,472 for the Revenue Bonds follows:

Year Ending December 31	General Obligation	Revenue	Total
2002	\$ 56,795	\$ 72,545	\$ 129,340
2003	54,695	70,823	125,518
2004	57,565	69,191	126,756
2005	60,080	67,622	127,702
2006	57,240	71,086	128,326
2007 - 2011	237,080	357,659	594,739
2012 - 2016	-	366,181	366,181
2017 - 2021	-	268,067	268,067
2022 - 2024	-	119,298	119,298
	<u>\$ 523,455</u>	<u>\$ 1,462,472</u>	<u>\$ 1,985,927</u>

General obligation bonds are secured by a portion of sales tax revenues from a 1cent sales tax. In accordance with Louisiana Revised Statute 39:562, the Town is legally restricted from incurring long-term bonded debt in excess of 35 percent of the assessed value of taxable property in the Town.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2001
(Continued)

(10) Interfund Transactions

Interfund receivables and payables consist of the following at December 31, 2001:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 9,575	\$ 60
Special Revenue	60	3,747
Enterprise Funds	-	5,828
	\$ 9,635	\$ 9,635

(11) Changes in Contributed Capital

The following is a summary of changes in contributed capital:

Balance at December 31, 2000	\$ 1,590,478
Depreciation transferred to contributed capital	(51,917)
Balance at December 31, 2001	\$ 1,538,561

(12) Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town.

(13) Restricted Assets – Proprietary Fund Type

Restricted assets were applicable to the following at December 31, 2001:

	<u>Enterprise Fund</u>
Cash:	
Customer deposits	\$ 84,851
Contingency, reserve, and sinking funds - revenue bonds	1,483,213
	\$ 1,568,064

(Continued)

Town of Benton
 Benton, Louisiana
 Notes to Financial Statements
 December 31, 2001
 (Continued)

(14) Leases

The Town leases certain equipment under operating leases. Rental costs on the equipment were \$4,632 for the year ended December 31, 2001. There are no commitments under lease agreements having lease terms in excess of one year.

(15) Litigation

The Town is defendant in various legal actions most of which are adequately covered by insurance. Resolution of some cases could involve liability to the Town in excess of insurance limits if the courts find in favor of the plaintiffs. In the opinion of the Town's attorney, the Town's ultimate exposure is unknown at this time. It is the policy of the Town to pay uninsured judgements against the Town on a current basis from the excess of revenues over expenditures.

(16) Capital Projects Fund

Included in the activity in the Capital Projects Fund are two separate Louisiana Community Development Block Grants. Individual activity for each of the grants is shown below:

	<u>Revenue</u>	<u>Expenses</u>
Grant #056-2860 – Capro Project	\$ 393,777	\$ 393,777
Grant #055-3971 – Street Improvements		
Grant – unutilized grant		
Funds – recorded in prior year	(13,337)	5,000
Total Grants	\$ 380,440	\$ 398,777

(17) Fund Deficits

The following individual fund has a deficit in unreserved fund balance at December 31, 2001:

<u>Fund</u>	<u>Deficit Amount</u>
Capital Projects	\$ (48,048)

Supporting Schedules

Town of Benton
 Benton, Louisiana
 Special Revenue Funds
 Combining Balance Sheet
 December 31, 2001

	Rehabilitation	Streets	Total
Assets			
Cash	\$ 68,985	\$ 394,958	\$ 463,943
Accounts receivable	3,611		3,611
Accrued interest receivable	97		97
Due from other funds		60	60
	<u>\$ 72,693</u>	<u>\$ 395,018</u>	<u>\$ 467,711</u>
Total assets			
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 3,747	\$	\$ 3,747
Due to other funds			
Payroll taxes payable			
	<u>3,747</u>	<u></u>	<u>3,747</u>
Total liabilities			
Fund balances:			
Unreserved, undesignated	<u>68,946</u>	<u>395,018</u>	<u>463,964</u>
	<u>\$ 72,693</u>	<u>\$ 395,018</u>	<u>\$ 467,711</u>
Total liabilities and fund balances			

Town of Benton
 Benton, Louisiana
 Special Revenue Funds
 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
 For the Year Ended December 31, 2001

	<u>Rehabilitation</u>	<u>Streets</u>	<u>Total</u>
Revenues:			
Taxes - sales tax	\$	\$ 247,083	\$ 247,083
Interest income	1,548	6,711	8,259
Total revenues	<u>1,548</u>	<u>253,794</u>	<u>255,342</u>
Other financing sources, (uses):			
Debt proceeds			
Operating transfers in			
Operating transfers out		(235,624)	(235,624)
Total other financing sources (uses)		<u>(235,624)</u>	<u>(235,624)</u>
Excess of revenues and other sources over expenditures and other uses	1,548	18,170	19,718
Fund balance at January 1, 2001	<u>67,399</u>	<u>376,847</u>	<u>444,246</u>
Fund balance at December 31, 2001	<u>\$ 68,947</u>	<u>\$ 395,017</u>	<u>\$ 463,964</u>

Town of Benton
Benton, Louisiana
Schedule of Compensation Paid to Members
of the Governing Body
For the Year Ended December 31, 2001

Mayor - Lynne Mascagni \$ 16,928

Aldermen:

Kim Pflayer	3,600
Rutha Richardson	3,600
Neal Thompson	3,600
Marcille Hollis	3,600
Donna Wyatt	3,600

\$ 34,928

Town of Benton
 Benton, Louisiana
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2001

<u>Federal Grantor – Program Title</u>	<u>Pass Through Grantor's Number</u>	<u>CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development -- passed through State of Louisiana, Division of Administration			
Louisiana Community Development Block Grant	056-2860	14.219	\$ 393,777
Louisiana Community Development Block Grant	055-3971	14.219	<u>4,918</u>
Total federal expenditures			<u>\$ 398,695</u>

Note 1: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

COOK & MOREHART

Certified Public Accountants

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MEMBER
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Town of Benton
Benton, Louisiana

We have audited the general purpose financial statements of the Town of Benton as of and for the year ended December 31, 2001, and have issued our report thereon dated June 18, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of Benton's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as item 2001-B1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Benton's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which we have reported to management of Town of Benton in a separate management letter dated June 18, 2002.

This report is intended solely for the information and use of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Cook & Morehart", with a long, sweeping horizontal flourish extending to the right.

Cook & Morehart
Certified Public Accountants
June 18, 2002

COOK & MOREHART

Certified Public Accountants

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CERTIFIED PUBLIC ACCOUNTANTS

Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

Town of Benton
Benton, Louisiana

Compliance

We have audited the compliance of Town of Benton with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2001. Town of Benton's major federal programs are identified in the summary of auditor's results action section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Town of Benton's management. Our responsibility is to express an opinion on Town of Benton's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on test basis, evidence about Town of Benton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. *We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Town of Benton's compliance with those requirements.*

In our opinion, Town of Benton complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2001.

Internal Control Over Compliance

The management of Town of Benton is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Town of Benton's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Cook & Morehart", with a long, sweeping horizontal line extending to the right.

Cook & Morehart
Certified Public Accountants
June 18, 2002

Town of Benton
Benton, Louisiana
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2001

There were five findings for the prior audit period ended December 31, 2000, as follows:

Finding 00-1

Finding: Violation of public bid law.

Current Status: No bid law violations noted during the current audit.

Finding 00-2

Finding: The Town installed a second water meter for the purpose of maintaining the landscaping at a local business, in violation of Town Ordinance No. 328.

Current Status: No violations of this nature noted in current year audit.

Finding 00-3

Finding: The Town did not make the required transfers to reserve accounts for debt service on a consistent and timely basis

Current Status: The Town did fund three different reserves, but see current year finding.

Finding 00-4

Finding: The Town billed and collected an annual fee of \$3.20 per service connection as required by law, but there is no evidence that the fee has been remitted to the State of Louisiana Department of Health and Hospitals.

Current Status: The Town is now complying with this requirement.

Finding 00-5

Finding: The Town received a requested draw under a federal grant and did not disburse the funds within the specified time period.

Current Status: No problems of this nature noted during current year audit.

Town of Benton
Benton, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2001

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the Town of Benton.
2. No reportable conditions are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. One instance of noncompliance material to the financial statements of the Town of Benton was disclosed during the audit.
4. No reportable conditions are reported in the Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program for the Town of Benton expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award program for the Town of Benton reported in Part C of this schedule.
7. The program tested as a major program was the Louisiana Community Development Block Grant CFDA #14.219.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Town of Benton does not qualify as a low-risk auditee.

B. Findings – Financial Statements Audit:

2001-B1

Condition: The Capital Projects funds' actual expenditures for the year exceeded budgeted expenditures for the year by \$(98,059), resulting in a deficit fund balance in the Capital Projects fund of \$(48,048).

Criteria: Laws pertaining to budgeting are contained in Louisiana Revised Statute 39:1301, et. al.

Recommendation: We recommend that the Town of Benton monitor its budget and actual expenditures throughout the year and amend its budget as needed.

(Continued)

Town of Benton
Benton, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2001
(Continued)

Management Response: The CAPRO project was not funded in the 2001 budget as prepared in December 2000. This project will be properly budgeted and funded in 2002.

C. Findings and Questioned Costs – Major Federal Award Programs Audit: None.

Town of Benton
Benton, Louisiana
Summary Schedule of Audit Findings for the Louisiana Legislative Auditor
December 31, 2001

Summary Schedule of Prior Audit Findings

There were five findings for the prior year audit period ended December 31, 2000, as described in the accompanying Summary Schedule of Prior Audit Findings.

There were eight management letter comments for the year ended December 31, 2000. The current status of each is as follows:

Comment #1: Utility billing operations

See related comment in current year management letter.

Comment #2: Disconnection of service

The Town is now disconnecting when required.

Comment #3: Processing new customers and final billing

This is now being done.

Comment #4: Timely preparation of financial reports

See related comment in current year management letter.

Comment #5: Timely preparation of bank reconciliations

See related comment in current year management letter concerning current financial records.

Comment #6: Computer system backup

The Town is now backing up its computer system on a regular basis.

Comment #7: Proper documentation of expenditures

No significant problems of this nature noted during current year audit.

Comment #8: Maintenance of Ordinance Book

No significant problems of this nature noted during current year audit.

(Continued)

Town of Benton
Benton, Louisiana
Summary Schedule of Audit Findings for the Louisiana Legislative Auditor
December 31, 2001
(Continued)

Corrective Action Plan for Current Year Audit Findings

Findings related to the financial statements and federal awards programs are identified in the accompanying Schedule of Findings and Questioned Costs.

There were six management letter comments for the year ended December 31, 2001. Management's response to those comments are as follows:

Comment #1: Fixed Asset Records

These records are in the process of being brought into compliance with LSA-R.S. 24:515.

Comment #2: Accounts Receivable – Enterprise Fund

The Town is currently installing and beginning use of an integrated accounting system which will allow general ledger and subsidiary account reconciliation to be handled in-house, rather than by an outside source.

Comment #3: Customer Deposits

The Town is currently installing and beginning use of an integrated accounting system which will allow general ledger and subsidiary account reconciliation to be handled in-house in a more timely manner.

Comment #4: Current Accounting Records

Due to lack of transition by the previous administration, the condition of the accounting records and damage to computer systems, the Town is continuing to work on re-creating 2000 accounting records, in addition to researching and making payment on unpaid 2000 accounts payable. With the current ongoing implementation of new integrated accounting software, procedures are being implemented to ensure all bills and transfers are paid on a timely basis.

Comment #5: Legal Paperwork for Debt Issues

The Town is continuing the process of obtaining legal paperwork related to the debt issues of the Town and will review to ensure all requirements are being met.

Comment #6: Legal Paperwork for Ad Valorem and Sales Taxes

The Town is continuing the process of obtaining copies of the original legal documents establishing the sales taxes and ad valorem rates currently being assessed by the Town.

COOK & MOREHART

Certified Public Accountants

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C. BRYAN COYLE, CPA

MEMBER
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Management Letter

June 18, 2002

Town of Benton
Benton, Louisiana

We have audited the financial statements of Town of Benton, for the year ended December 31, 2001, and have issued our report thereon dated June 18, 2002. In planning and performing our audit of the financial statements of Town of Benton, we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

During our audit the following items were noted involving internal control over financial reporting and other operational matters which appear to merit your attention for consideration to improve the internal control over financial reporting or operations of Town of Benton.

Comment #1: Fixed Asset Records

During our audit we noted that the Town's fixed asset records were not current.

We recommend that the Town update its fixed asset records in accordance with LSA-RS 24:515.

Comment #2: Accounts Receivable - Enterprise Fund

During our audit we noticed that the accounts receivable subsidiary records for the enterprise fund were not reconciled with the Town's general ledger. As a result, a significant audit adjustment had to be made to correct accounts receivable at December 31, 2001.

We recommend that the Town's accounting personnel reconcile the accounts receivable subsidiary listings with the general ledgers on a monthly basis.

Comment #3: Customer Deposits

During our audit we noted that the liability for customer deposits shown on the general ledger was not in agreement with the customer deposits cash accounts on the general ledger.

We recommend that the Town's accounting personnel reconcile the customer deposits liability with the general ledger on a monthly basis.

Comment #4: Current Accounting Records

During our audit and subsequent events testing, we noted that the Town's accounting records were not current for the 2002 fiscal year. In addition, some invoices were paid late, and transfers between funds were not being made on a timely basis.

We recommend that the Town's accounting records be brought up to date as quickly as possible and that such records be maintained on a current basis. We also recommend that the Town establish procedures for ensuring all bills and transfers are paid on a timely basis.

Comment #5: Legal Paperwork for Debt Issues

During our audit, the Town was unable to provide us with copies of the original legal documents associated with the debt issues of the Town. These documents are needed to determine the appropriate reserves to be established for those issues. The Town is presently funding three reserves; however, we are unable to determine if the Town has the appropriate reserves established or if they are funding the correct amounts.

We recommend that the Town obtain all legal paperwork related to the debt issues of the Town and review such paperwork to ensure all requirements are being met.

Comment #6: Legal Paperwork for Ad Valorem and Sales Taxes

During our audit, the Town was unable to provide us with copies of the original legal documents which established the sales taxes and ad valorem taxes currently being assessed by the Town.

We recommend that the Town obtain all legal paperwork related to the ad valorem and sales taxes.

Comment #7: Investigative Audit Report – Legislative Auditor

The State of Louisiana Legislative Auditor issued an investigative audit report dated May 15, 2002 concerning missing cash receipts of approximately \$6,736. On May 14, 2002, the Town responded to that audit report from the Legislative Auditor. The restitution of the funds involved is still under investigation and remains unresolved.

We express sincere thanks to the Town of Benton personnel for the cooperation and assistance provided us during our audit. We are available to provide you assistance and consultation in the implementation of the above mentioned items. This letter is furnished solely for the use of management and is not intended to be used for any other purpose.

A handwritten signature in cursive script, appearing to read "Cook & Morehart", with a long horizontal flourish extending to the right.

Cook & Morehart
Certified Public Accountants