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TOWN OF SAREPTA, LOUISIANA
ANNUAL FINANCIAL REPORT
JUNE 30, 2004

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Release Date 2/2/05



TOWN OF SAREPTA, LOUISIANA
 Financial Statements
 And Independent Auditor's Reports
 As of and for the Year Ended June 30, 2004

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TOWN OF SAREPTA, LOUISIANA
Financial Statements
And Independent Auditor's Reports
As of and for the Year Ended June 30, 2004

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INDEPENDENT AUDITOR'S REPORT



Certified Public Accountants • Management Consultants • Business Advisors

INDEPENDENT AUDITOR'S REPORT

The Honorable E. L. Edwards, Mayor
and the Members of the Board of Aldermen
Town of Sarepta, 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 Sarepta, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Sarepta, Louisiana's management. Our responsibility is to express opinions 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sarepta, Louisiana, as of June 30, 2004, 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.

As described in Note 1 to the financial statements, the Town of Sarepta, Louisiana adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Governmental Accounting Standards Board Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, in 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2004, on our consideration of the Town of Sarepta, Louisiana'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.

The Management's Discussion and Analysis and budgetary comparison information listed as Required Supplemental Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Smith Pugh & Company, LLP

Smith, Pugh & Company, LLP
Certified Public Accountants
Shreveport, Louisiana
December 13, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Sarepta

Mayor
E. L. Edwards

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Chief of Police
Mack Garrett

Aldermen
Anthony Mullins
Dan Heckendorn
Jeff Franklin
Michael Corley
Wiley Corley

Town Clerk
Cheryle Robertson

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Town of Sarepta, Louisiana's (hereafter referred to as "Town") annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year that ended on June 30, 2004. Please read it in conjunction with the Town's financial statements, which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information in the first year, and that GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the Town has elected to exclude the information in this report. Subsequent reports will include the comparative information.

FINANCIAL HIGHLIGHTS

In accordance with Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Town has started to depreciate capital assets resulting in a calculation of depreciation expense and accumulated depreciation as of June 30, 2004.

The Town experienced an increase in its Net Assets by 8.04% (\$70,211) during the fiscal year ended June 30, 2004. As of June 30, 2004, the assets of the Town exceeded its liabilities by \$943,280. Of this amount \$275,740 (29.23%) is reported as "unrestricted net assets" and represents the amount available to be used to meet the Town's ongoing obligations to the citizens of Sarepta, Louisiana. Net assets of the governmental activities increased by \$20,526 (5.23%), while net assets of the business-type activities increased \$49,685 (10.33%).

As of the close of the fiscal year 2004, the Town's governmental fund reported an ending fund balance of \$185,875, an increase of \$30,332 (19.5%).

During the current fiscal year the Town received \$64,000 as settlement for a legal claim. This settlement is reported as non-operating revenue in the proprietary fund.

The Town's long-term debt obligations decreased by \$54,472 during the 2004 fiscal year. The primary factor in this decrease was an early payment of \$50,000 in principal made with proceeds from a legal settlement.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains additional required supplementary information (budgetary schedules) in addition to the basic financial statements. These components are described below:

Basic Financial Statements

The basic financial statements include two kinds of financial statements that present different views of the Town - the **Government-wide Financial Statements** and the **Fund Financial Statements**. These financial statements also include the **Notes to the Financial Statements** that explain some of the information in the financial statements and provide additional detail.

Government-wide Financial Statements

The government-wide financial statements provide a broad view of the Town's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the Town's financial position, which assists users in assessing the Town's economic condition at the end of the year. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting similar to methods used by most businesses. These statements report all revenues and expenses connected with the year even if cash has not been received or paid. The government-wide financial statements include two statements:

- **The *statement of net assets*** presents all of the Town's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the Town's net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.
- **The *statement of activities*** presents information showing how the Town's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Therefore, some revenues and some expenses that are reported in this statement will not result in cash flows until future years. This statement also presents a comparison between direct expenses and program revenues for each function of the Town.

Both of the above financial statements have separate sections for the two different types of Town activities. These activities are:

Governmental Activities – The activities in this section are mostly supported by taxes and intergovernmental revenues (grants). Most services normally associated with a town fall into this category, including general government, public safety, streets, and parks and recreation.

Business-type Activities – These functions are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The business activity of the Town consists of the provision of sewer service to citizens.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Fund Financial Statements (Continued)

The fund financial statements focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements. The funds of the Town can be divided into two categories. It is important to note that these fund categories use different accounting approaches and should be interpreted differently. The two categories of funds are:

- *Governmental funds.* The services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the year. Such information may be useful in evaluating the Town's near-term financing requirements. This approach is known as using the flow of financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the Town's finances and assists in determining whether there will be adequate financial resources available to meet the current needs of the Town.

Because the focus of the governmental funds financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, users may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the page immediately following each governmental financial statement.

The Town has one governmental fund: the General Fund, which is considered a major fund for presentation purposes. That is, each major fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances.

The basic governmental funds financial statements can be found immediately following the government –wide financial statements.

Proprietary Funds Financial Statements – These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge fees for services provided to outside customers, including local governments, they are known as enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

The Town has one enterprise fund (Sewer Fund) which is considered a major proprietary fund for presentation purposes.

Fund Financial Statements (Continued)

The basic proprietary fund financial statements can be found immediately following the governmental fund financial statements.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the funds financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the General Fund as presented in the governmental fund financial statements. Annual budgets are prepared in accordance with the Generally Accepted Accounting Principles (GAAP).

FINANCIAL ANALYSIS OF GOVERNMENT-WIDE ACTIVITIES

Net Assets

Net assets may serve over time as a useful indicator of the Town's financial position. The Town's combined net assets (governmental and business-type activities) totaled \$943,280 at the end of fiscal year 2004.

\$619,751 (65.70%) of the Town's net assets reflects the Town's investment in capital assets such as land, buildings, equipment, and sewer improvements, less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to the citizens of Sarepta; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of net assets \$47,789 (5.07%) is restricted by loan covenants for repayment of principal and interest on long-term debt.

The other portion of the Town's net assets, \$275,740 (29.23%) is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors at the discretion of the mayor and council of Sarepta. \$261,605 (27.73%) of the unrestricted net assets of the Town consists of cash and cash equivalents and investments.

	Governmental Activities	Business-type Activities	Total
Current Assets	\$ 191,289	\$ 152,923	\$ 344,212
Capital Assets	228,760	841,727	1,070,487
Total Assets	420,049	994,650	1,414,699
Long-term Liabilities Outstanding	1,870	447,998	449,868
Other Liabilities	5,414	16,137	21,551
Total Liabilities	7,284	464,135	471,419
Invested in Capital Assets-Net of Related Debt	228,760	390,991	619,751
Restricted	-	47,789	47,789
Unrestricted	184,005	91,735	275,740
Total Net Assets	\$ 412,765	\$ 530,515	\$ 943,280

Changes in Net Assets

The Town's net assets increased by \$70,211 (8.04%) during the year ended June 30, 2004.

Approximately 35.93% (\$143,565) of the Town's total revenues was derived through charges for services while approximately 48.90% (\$195,407) was derived from general revenues including taxes, legal settlements, and interest. The Town received \$ 60,607 (15.17%) of its total revenues through program grants and contributions.

The largest expenses were for general government and public safety. In fiscal year 2004, governmental activity expenses exceeded program revenues resulting in the use of \$113,280 in general revenues, mostly taxes. Net expenses from business-type activities in fiscal year 2004 exceeded revenues by only \$11,916.

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 79,351	\$ 64,214	\$ 143,565
Operating grants and contributions	2,240	-	2,240
Capital grants and contributions	5,710	52,657	58,367
General revenues:			
Taxes	121,296	-	121,296
Interest	1,036	414	1,450
Other	8,661	64,000	72,661
Total revenues	<u>218,294</u>	<u>181,285</u>	<u>399,579</u>
Expenses:			
General government	95,618	-	95,618
Public safety	63,645	-	63,645
Streets	13,913	-	13,913
Parks and recreation	27,405	-	27,405
Sewer	-	128,787	128,787
Total expenses	<u>200,581</u>	<u>128,787</u>	<u>329,368</u>
Increase in net assets before transfers	<u>17,713</u>	<u>52,498</u>	<u>70,211</u>
Transfers	<u>2,813</u>	<u>(2,813)</u>	<u>-</u>
Change in net assets	20,526	49,685	70,211
Net assets - beginning of year	<u>392,239</u>	<u>480,830</u>	<u>873,069</u>
Net assets - end of year	<u>\$ 412,765</u>	<u>\$ 530,515</u>	<u>\$ 943,280</u>

FINANCIAL ANALYSIS OF THE INDIVIDUAL FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund

The focus of the Town's governmental fund is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the year.

As of the end of the current year, the Town's governmental fund, the general fund, reported an ending fund balance of \$185,875, an increase of \$30,332 compared to the prior year. The General Fund is the chief operating fund of the Town.

The ending governmental fund balance is unreserved and available for spending in the coming year.

FINANCIAL ANALYSIS OF THE INDIVIDUAL FUNDS (Continued)

Proprietary Fund

The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. The Town's proprietary fund (Sewer Fund) reported operating expenses of \$105,471 which was \$41,257 in excess of its operating revenues of \$64,214. The operating loss was offset by non-operating income of \$93,755 which consisted primarily of a legal settlement of \$64,000. The proprietary fund reported an increase of \$49,685 (10.33%) in net assets in the fiscal year ended 2004.

GENERAL FUND BUDGETARY HIGHLIGHTS

Formal budgetary integration is employed as a management control device during the fiscal year. The Budget policy of the Town complies with state law, as amended, and as set forth in Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA – R.S. 39:1301 et seq.).

The Town's budgets were amended because:

- General government and public safety expenditures were more than originally budgeted.

Expenditures were \$4,325 less than the amount originally budgeted.

Revenues available for expenditure were \$27,994 above the final budgeted amounts.

CAPITAL ASSET ADMINISTRATION

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2004 totaled \$1,768,312, net of accumulated depreciation of \$697,825, leaving a book value of \$1,070,487. This investment in capital assets consists of land, buildings, equipment, and sewer improvements. The total increase in the Town's investment in capital assets for the current year was \$43,957 about 2.43% in terms of historical cost. Depreciation charges for the year totaled \$49,012.

DEBT ADMINISTRATION

At year end the Town had \$450,736 in sewer revenue bonds outstanding, a decrease of \$54,971 (10.87%) compared to the prior year. Revenues derived or to be derived from the operation of the sewer system, after paying the reasonable and necessary expenses of operating and maintaining the system, are dedicated and pledged to the payment of the outstanding debt as set forth in the loan agreement. The Town is required to make monthly deposits into accounts restricted for the Bond Sinking Fund, the Bond Contingency Fund, and the Bond Reserve Fund as more fully described in Note 8.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following economic factors were considered when the budget for the fiscal year ended June 30, 2004 was prepared:

- Revenues are expected to remain consistent with the prior year.
- Expenses are expected to remain consistent with the prior year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the finances of the Town and seeks to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town of Sarepta, P.O. Box 338, Sarepta, Louisiana 71071-0388 or by calling (318) 847-4333.

BASIC FINANCIAL STATEMENTS

TOWN OF SAREPTA, LOUISIANA

Statement of Net Assets June 30, 2004

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 115,417	\$ 51,188	\$ 166,605
Certificates of deposit	60,000	35,000	95,000
Receivables (net of allowance for uncollectible)	10,114	12,749	22,863
Prepaid expenses	5,758	974	6,732
Restricted:			
Cash and cash equivalents	-	53,012	53,012
Total current assets	191,289	152,923	344,212
Non-current assets:			
Capital assets (net of accumulated depreciation)	228,760	841,727	1,070,487
Total assets	420,049	994,650	1,414,699
<u>Liabilities and Fund Balances</u>			
Current liabilities:			
Accounts payable	5,414	7,932	13,346
Payable from restricted assets:			
Revenue bonds	-	7,875	7,875
Interest payable	-	330	330
Total current liabilities	5,414	16,137	21,551
Non-current liabilities:			
Customer deposits	-	5,137	5,137
Compensated absences	1,870	-	1,870
Bonds payable	-	442,861	442,861
Total non-current liabilities	1,870	447,998	449,868
Total liabilities	7,284	464,135	471,419
<u>Net Assets</u>			
Invested in capital assets, net of related debt	228,760	390,991	619,751
Restricted for debt service	-	47,789	47,789
Unrestricted	184,005	91,735	275,740
Total net assets	\$ 412,765	\$ 530,515	\$ 943,280

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

TOWN OF SAREPTA, LOUISIANA

Statement of Activities
For the Year Ended June 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
General government	\$ 95,619	\$ 1,240	\$ 2,000	\$ (62,619)	\$ -	\$ (62,619)
Public safety	63,645	1,000	3,710	(25,652)	-	(25,652)
Streets	13,913	-	-	(13,913)	-	(13,913)
Parks and recreation	27,404	-	-	(11,096)	-	(11,096)
Total governmental activities	200,581	2,240	5,710	(113,280)	-	(113,280)
Business-type activities:						
Sewer	128,787	64,214	52,657	-	(11,916)	(11,916)
Total Primary Government	\$ 329,368	\$ 2,240	\$ 58,367	(113,280)	(11,916)	(125,196)
General Revenues:						
Taxes-						
Property taxes levied for general purposes				55,512	-	55,512
Sales and use taxes levied for general purposes				46,674	-	46,674
Franchise taxes				19,110	-	19,110
Interest and investment earnings				1,036	414	1,450
Legal settlement				-	64,000	64,000
Miscellaneous				8,661	-	8,661
Transfers				2,813	(2,813)	-
Total general revenues and transfers				133,806	61,601	195,407
Change in net assets				20,526	49,685	70,211
Net assets- beginning of year				392,239	480,830	873,069
Net assets - end of year				\$ 412,765	\$ 530,515	\$ 943,280

The notes to the financial statements are an integral part of this statement.

See the accompanying independent auditor's report.

TOWN OF SAREPTA, LOUISIANA

Balance Sheet -- Governmental Funds
June 30, 2004

	<u>General Fund</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 115,417
Certificates of deposit	60,000
Accounts receivable	10,114
Prepaid expenses	5,758
Total assets	<u>\$ 191,289</u>
<u>Liabilities</u>	
Accounts payable	\$ 5,329
Accrued payroll taxes	85
Total liabilities	<u>5,414</u>
<u>Fund Equity</u>	
Fund balances:	
Unreserved - undesignated	185,875
Total fund equity	<u>185,875</u>
Total liabilities and fund equity	<u>\$ 191,289</u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

TOWN OF SAREPTA, LOUISIANA

Reconciliation of Fund Balances on the Balance Sheet
For Governmental Funds to the Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2004

Fund Balance - total governmental funds		\$ 185,875
Amounts reported for governmental activities in the statement of activities are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Add - capital assets	\$ 317,180	
Deduct - accumulated depreciation	<u>(88,420)</u>	
		228,760
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. Those liabilities consist of:		
Compensated absences		<u>(1,870)</u>
Net assets of governmental activities		<u>\$ 412,765</u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

TOWN OF SAREPTA, LOUISIANA

Statement of Revenues, Expenditures, and Changes In Fund Balances – Governmental Funds For the Year Ended June 30, 2004

	<u>General Fund</u>
Revenues:	
Taxes:	
Ad valorem	\$ 55,512
Sales and Use	46,674
Franchise	19,110
Licenses and permits	29,760
Fines and forfeitures	33,283
Intergovernmental:	
Federal grants:	
Law enforcement equipment	1,710
State funds:	
Rural development	2,000
Law enforcement training	1,000
Interest	1,036
Parks and recreation	16,308
Contributions	3,240
Miscellaneous	8,661
Total revenues	<u>218,294</u>
Expenditures:	
General government	93,018
Public safety	57,965
Streets	13,518
Parks and recreation	26,274
Total expenditures	<u>190,775</u>
Excess of revenues over expenditures	<u>27,519</u>
Other financing sources (uses):	
Transfers from other funds	2,813
Total other financing sources (uses)	<u>2,813</u>
Net Change in Fund Balance	30,332
Fund Balance - beginning of year	155,543
Fund Balance - at end of year	<u><u>\$ 185,875</u></u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

TOWN OF SAREPTA, LOUISIANA

Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2004

Net Change in fund balance - total governmental funds \$ 30,332

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$9,807) exceeds capital outlays (\$0) in the current period.

(9,807)

Change in net assets - statement of activities \$ 20,525

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

TOWN OF SAREPTA, LOUISIANA

Statement of Net Assets Proprietary Fund June 30, 2004

<u>Assets</u>	<u>Sewer Fund</u>
Current assets:	
Cash and cash equivalents	\$ 51,188
Certificates of deposit	35,000
Receivables (net of allowance for uncollectible)	12,749
Prepaid expenses	974
Restricted:	
Cash and cash equivalents	<u>53,012</u>
Total current assets	<u>152,923</u>
Non-current assets:	
Capital assets (net of accumulated depreciation)	<u>841,727</u>
Total assets	<u>994,650</u>
<u>Liabilities and Fund Balances</u>	
Current liabilities:	
Accounts payable	7,932
Payable from restricted assets:	
Revenue bonds	7,875
Interest Payable	<u>330</u>
Total current liabilities	<u>16,137</u>
Non-current liabilities:	
Customer deposits	5,137
Bonds Payable	<u>442,861</u>
Total non-current liabilities	<u>447,998</u>
Total liabilities	<u>464,135</u>
<u>Net Assets</u>	
Invested in capital assets, net of related debt	390,991
Restricted for debt service	47,789
Unrestricted	<u>91,735</u>
Total net assets	<u>\$ 530,515</u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

TOWN OF SAREPTA, LOUISIANA

Statement of Revenues, Expenses and Changes in Net Assets Proprietary Fund For the Year Ended June 30, 2004

	<u>Sewer Fund</u>
Operating Revenues:	
Charges for services:	
Sewer charges	<u>\$ 64,214</u>
Operating Expenses:	
Cost of sales and services	59,288
Administration	6,977
Depreciation	<u>39,206</u>
Total operating expenses	<u>105,471</u>
Operating income (loss)	<u>(41,257)</u>
Non-operating Revenues (Expenses):	
Interest earnings	414
Interest expense	(23,316)
Legal settlement	64,000
Intergovernmental:	
State funds:	
Facility Planning and Control	<u>52,657</u>
Total non-operating revenues	<u>93,755</u>
Income Before Contributions and Transfers	52,498
Transfers to other funds	<u>(2,813)</u>
Change in Net Assets	49,685
Total Net Assets - beginning	480,830
Total Net Assets - ending	<u><u>\$ 530,515</u></u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

TOWN OF SAREPTA, LOUISIANA

Statement of Cash Flows Proprietary Fund For the Year Ended June 30, 2004

Cash Flows From Operating Activities		
Receipts from customers and users	\$	64,871
Payments to suppliers		(33,717)
Payments to employees		(26,077)
Net Cash Provided by Operating Activities		<u>5,077</u>
Cash Flows From Noncapital Financing Activities		
Transfer to other funds		(2,813)
Net Cash Used by Noncapital Financing Activities		<u>(2,813)</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets		(43,957)
Proceeds from legal settlement		64,000
Principal paid on capital debt		(54,971)
Interest paid on capital debt		(24,471)
Subsidy from state grant		45,619
Net Cash Used by Capital and Related Financing Activities		<u>(13,780)</u>
Cash Flows From Investing Activities		
Interest received		414
Net Cash Provided by Investing Activities		<u>414</u>
Net Decrease in Cash and Cash Equivalents		(11,102)
Cash and Cash Equivalents, Beginning of Year		115,302
Cash and Cash Equivalents, End of Year		<u>\$ 104,200</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating loss	\$	(41,257)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	\$	39,206
Decrease in accounts receivable		657
Increase in prepaid expense		(974)
Increase in customer deposits		790
Increase in accrued interest payable		330
Increase in accounts payable		6,325
Total adjustments		<u>46,334</u>
Net Cash Provided by Operating Activities	\$	<u>5,077</u>
Noncash investing, capital, and financing activities		<u>None</u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

TOWN OF SAREPTA

Notes to the Financial Statements For the Year Ended June 30, 2004

Introduction:

The Town of Sarepta, Louisiana (Town), is incorporated under the provisions of the Lawrason Act. The Town is located in the Parish of Webster.

The Town operates under the Mayor-Board of Aldermen form of government. Elected officials of the Town consist of the mayor, five (5) aldermen, and the chief of police, who are elected to four-year terms. The affairs of the Town are conducted and managed by the mayor and the board of aldermen.

The Town of Sarepta, Louisiana, complies with Generally Accepted Accounting Principles (GAAP). The Town's reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements. GAAP as applicable to governments also conforms to the requirements of Louisiana R.S. 24:517 and the guides set forth in the *Louisiana Municipal Audit and Accounting Guide* and to the industry guide, *Audits of State and Local Government Units*, published by the American Institute of Certified Public Accountants.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under the provisions of this Statement, the Town is considered a primary government since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Town may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, or issue bonded debt.

1. Summary of Significant Accounting Policies:

Following is a summary of certain significant accounting policies:

- A. Reporting Entity – In evaluating the Town as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Town may be financially accountable and, as such, should be included within the Town's financial statements. The Town (primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Town. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There were no entities that were determined to be component units of the Town of Sarepta, Louisiana.
- B. Basis of Presentation - The accompanying basic financial statements of the Town have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Town implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Government*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, in 2004.

TOWN OF SAREPTA

Notes to the Financial Statements
For the Year Ended June 30, 2004

1. Summary of Significant Accounting Policies (Continued):

B. Basis of Presentation – (Continued)

Implementation of these standards required a change in the reporting format, additional footnote disclosures, and the inclusion of management's discussion and analysis as supplementary information. Implementation of these standards had no impact on the opening fund balances of the Town of Sarepta.

- C. Fund Accounting – The Town uses funds to maintain its financial records during the year. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

The funds of the Town are classified into two categories: governmental and proprietary. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent (10%) of the corresponding total for all funds of that category or type.
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least five percent (5%) of the corresponding total for all government and enterprise funds combined.

The funds are grouped into two fund types as described below:

Governmental Funds: Governmental funds account for all or most of the Town's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between the governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations. The following is the Town's governmental fund:

General Fund – The General Fund is the general operating fund of the Town. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Proprietary Funds: Proprietary funds are used to account for ongoing organizations and activities that are similar to those often found in the private sector. The measurement focus is based upon determination of net income, financial position, and cash flows. The following is the Town's proprietary fund type:

Enterprise Fund – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that 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

TOWN OF SAREPTA

Notes to the Financial Statements
For the Year Ended June 30, 2004

1. Summary of Significant Accounting Policies (Continued):

C. Fund Accounting – (Continued)

body has decided that the 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's enterprise fund is the Sewer Fund.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Governmental Fund Financial Statements - The amounts reflected in the Governmental Fund Financial Statements are accounted for using the "current financial resources" measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of the Town's operations.

The amounts reflected in the Governmental Fund Financial Statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, 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 pay liabilities of the current period. The Town considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred. The governmental funds use the following practices in recording revenues and expenditures:

Those revenues susceptible to accrual are sales taxes, property taxes, franchise taxes, interest revenue and charges for services. Fines, permits, and license revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are generally recognized under the modified accrual basis when a liability is incurred. Salaries and related benefits are recorded when employee services are provided to the Town. Capital outlays are reported at the time purchased. Modifications to the accrual basis of accounting include:

Employees vested sick and vacation leave is recorded as an expenditure when utilized. The amount of accumulated compensated absences unpaid at June 30, 2004, has been reported only in the government-wide financial statements.

Proprietary Fund Financial Statements – The financial statements of the proprietary fund are reported using the "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows.

The amounts reflected in the Proprietary Fund Financial Statements use the accrual basis of accounting. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating

TOWN OF SAREPTA

Notes to the Financial Statements
For the Year Ended June 30, 2004

1. Summary of Significant Accounting Policies (Continued):

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Proprietary fund equity is classified as net assets.

Government-wide Financial Statements (GWFS)

The Statement of Net Assets and the Statement of Activities include all the financial activities of the Town. Information contained in these statements reflects the "economic resources" measurement focus and the accrual basis of accounting. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues included in the Statement of Activities are (1) derived directly from charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function, (2) operating grants and contributions, and (3) Capital grants and contributions. Program revenues reduce the cost of the function to be financed from the Town's general revenues. Taxes and other items not properly included in program revenues are reported instead as general revenues.

- E. Cash and Cash Equivalents and Investments – Cash and cash equivalents include cash on hand, amounts in demand deposits and short term, highly liquid investments with original maturities of 90 days or less when purchased. Investments are interest-bearing time deposits with original maturity dated in excess of 90 days when purchased. Investments are stated at cost, which approximates market value.

The Town's investments comply with Louisiana Statutes (LSA R.S. 33:2955). Under state law, the Town may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Town may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local Louisiana governments are authorized to invest in the Louisiana Asset Management Pool (LAMP). A nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

TOWN OF SAREPTA

Notes to the Financial Statements
For the Year Ended June 30, 2004

1. Summary of Significant Accounting Policies (Continued):

- F. Receivables -- In the government-wide financial statement, receivables consist of all revenues earned at year-end and not yet received. Major receivables for the governmental activities include franchise taxes and sales and use taxes. Business-type activities report customer's sewer service charges and capital grant reimbursement as its major receivables. Uncollectible amounts due for ad valorem taxes and sewer charges 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. At June 30, 2004, an allowance for uncollectible receivables was considered unnecessary due to immateriality.
- G. Capital Assets -- Capital assets which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, lighting, 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. Donated assets are recorded at their estimated fair value at the date of donation. The Town maintains the following threshold levels for capitalizing assets:

Land	\$ 1
Land improvements	\$ 10,000
Buildings	\$ 10,000
Machinery and equipment	\$ 5,000
Infrastructure	\$ 25,000

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

In accordance with GASB Statement 34, because of the costs involved in retroactively capitalizing infrastructure, the Town has elected an exception for local governments with annual revenues of less than \$10 million and will prospectively capitalize infrastructure from the date of implementation of GASB Statement 34 forward and will not retroactively capitalize infrastructure. The Town does not capitalize historical treasures or works of art.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of net assets. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings	20-40 years
Equipment	5-15 years
Sewer improvements	25 years
Outdoor and playground equipment	20 years

- H. Compensated Absences -- The Town of Sarepta has the following policy relating to vacation and sick leave:

Vacation -- Employees are entitled to five days after one continuous year of service; ten days after two continuous years of service; and fifteen days after ten years of service and thereafter. Vacation time will not be allowed to accrue (except for the Town Clerk) and will be calculated based on the anniversary date of employment.

TOWN OF SAREPTA

Notes to the Financial Statements
For the Year Ended June 30, 2004

1. Summary of Significant Accounting Policies (Continued):

H. Compensated Absences (Continued)

There was a total of \$623 of accumulated unpaid vacation as of June 30, 2004.

Sick leave – Employees are entitled to ten sick leave days per year. The days will be based on the fiscal year of July 1 to June 30. First year employees will be given sick days at the rate of .833 days per month until the July 1st date. Sick days may accrue up to thirty days. After thirty days are accrued, the employee will be paid for their excess days at a rate of 1/260 of their annual salary at the end of the fiscal year. Employees will also be paid for any accrued sick leave days at the termination of their employment.

There was a total of \$1,246 of accumulated unpaid sick leave as of June 30, 2004.

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

- J. Prepaid Expenses – Payments made to vendors for services that will benefit periods beyond June 30, 2004 are recorded as prepaid expenses.

- K. Restricted Assets – Restricted assets include cash and cash equivalents of the proprietary fund that are legally restricted as to their use. The restricted assets are related to the revenue bond accounts and customer's sewer deposits.

- L. Long-term Debt – The accounting treatment of long-term debt depends upon whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debts to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. The Town's long term debt consists of revenue bonds payable, customer's sewer deposits, and vested sick leave and vacation leave that are not expected to be liquidated with expendable available resources.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

- M. Fund Equity – In the government-wide financial statements equity is classified as net assets and reported in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds,

TOWN OF SAREPTA

Notes to the Financial Statements
For the Year Ended June 30, 2004

1. Summary of Significant Accounting Policies (Continued):

M. Fund Equity – (Continued)

mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- b. Restricted net assets – Consists of net assets with constraints placed on the use by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – Consists of all other assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved or unreserved, with unreserved segregated between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide financial statements.

- N. Encumbrances – The Town does not utilize encumbrance accounting. Management does not believe that the use of encumbrance accounting would provide any significant benefit for budgetary purposes.
- O. 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 the taxpayers in November. Billed taxes become delinquent on January of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

The Town bills and collects its own property taxes, using the assessed values determined by the tax assessor of Webster parish.

N. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

2. Cash and Investments:

These deposits are stated at cost, which approximates market value. At June 30, 2004, the carrying amount of the Town’s deposits was \$314,617, and the collected bank balance was \$315,882. 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. The bank balances were fully protected by \$242,789 of federal depository insurance (GASB Category 1) and \$695,565 of pledged securities held by the custodial bank in the name of the fiscal agency bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to

TOWN OF SAREPTA

Notes to the Financial Statements
For the Year Ended June 30, 2004

2. Cash and Investments – (Continued):

advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

The Town's deposits are categorized to give an indication of the level of risk assumed by the Town at year-end. Category 1 includes deposits that are insured or registered or for which the securities are held by the Town or its agent in the Town's name. Category 2 includes uninsured and unregistered deposits for which the securities are held by the counterparty's trust department or agent in the Town's name. Category 3 includes uninsured and unregistered deposits for which the securities are held by the counter-party, or by its trust department or agent but not in the Town's name.

Description	Category			Bank Balance	Market Value
	1	2	3		
Demand Deposit Accounts	\$ 47,789	\$ -	\$ 173,093	\$ 220,882	\$ 220,882
Time Deposit Accounts	95,000	-	-	95,000	95,000
Total cash and investments	<u>\$ 142,789</u>	<u>\$ -</u>	<u>\$ 173,093</u>	<u>\$ 315,882</u>	<u>\$ 315,882</u>

3. Property Taxes:

For the year ended June 30, 2004, taxes of 20.66 mills were levied on property with assessed valuations totaling \$2,644,480 and were dedicated as follows:

General alimony	6.66 mills
Sewer, streets, parts, and recreation	14.00 mills
Total ad valorem taxes levied were \$54,636.	

4. Receivables:

As of June 30, 2004, receivables consisted of the following:

	General Fund	Sewer Fund
Franchise taxes	\$ 4,274	\$ -
Sales and use taxes	5,677	-
Service charges	-	5,711
Grant reimbursement	-	7,038
Interest	163	-
	<u>\$ 10,114</u>	<u>\$ 12,749</u>

The Town uses the direct charge-off method of accounting for uncollectible sewer receivables. The difference between the allowance method and the direct charge-off method is immaterial to the financial statements.

TOWN OF SAREPTA

Notes to the Financial Statements
For the Year Ended June 30, 2004

5. Interfund Receivables, Payables:

There were no interfund receivables, payables for the year ended June 30, 2004.

6. Capital Assets:

Capital assets and depreciation activity as of and for the year ended June 30, 2004 for the Town is as follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 75,280	\$ -	\$ -	\$ 75,280
Capital assets being depreciated:				
Building and structures	185,932	-	(22,320)	163,612
Improvements other than buildings	35,296	-	(28,000)	7,296
Vehicles	38,588	-	-	38,588
Equipment - office and other	34,638	-	(22,208)	12,430
Playground & ball equipment	34,950	-	(14,976)	19,974
Total capital assets being depreciated	329,404	-	(87,504)	241,900
Less accumulated depreciation for:				
Building and structures	50,158	2,601	-	52,759
Improvements other than buildings	4,378	182	-	4,560
Vehicles	14,168	5,681	-	19,849
Equipment - office and other	5,956	394	-	6,350
Playground & ball equipment	3,953	949	-	4,902
Total accumulated depreciation	78,613	9,807	-	88,420
Total capital assets being depreciated, net	250,791	(9,807)	(87,504)	153,480
Total capital assets, net	\$ 326,071	\$ (9,807)	\$ (87,504)	\$ 228,760

TOWN OF SAREPTA

Notes to the Financial Statements
For the Year Ended June 30, 2004

6. Capital Assets (Continued):

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 9,000	\$ -	\$ -	\$ 9,000
Capital assets being depreciated:				
Sewer plant	1,389,230	43,957	-	1,433,187
Vehicles	8,945	-	-	8,945
Total capital assets being depreciated	1,398,175	43,957	-	1,442,132
Less accumulated depreciation for:				
Sewer plant	569,576	37,507	-	607,083
Vehicles	623	1,699	-	2,322
Total accumulated depreciation	570,199	39,206	-	609,405
Total capital assets being depreciated, net	827,976	4,751	-	832,727
Total capital assets, net	\$ 836,976	\$ 4,751	\$ -	\$ 841,727

Depreciation expense of \$9,806 for the year ended June 30, 2004, was charged to the following governmental functions:

General government	\$ 2,601
Public safety	5,680
Streets	394
Parks and recreation	1,131

7. Changes in Long-Term Debt:

The following is a summary of the long-term debt transactions for the year ended June 30, 2004:

	Business-type Activities	Governmental Activities	
	Revenue	Compensated	
	Bonds	Absences	Total
Long-term obligations at beginning of year	\$ 505,707	\$ 1,371	\$ 507,078
Additions	-	499	499
Deductions	(54,971)	-	(54,971)
Long-term obligations at end of year	\$ 450,736	\$ 1,870	\$ 452,606

TOWN OF SAREPTA

Notes to the Financial Statements For the Year Ended June 30, 2004

7. Changes in Long-Term Debt (Continued):

Sewer revenue bond payable at June 30, 2004, is comprised of the following issue:

\$516,000, Sewer Revenue Bonds, one interest only payment due July 24, 2001, and \$2,425 due on the 24th day of each month August 2001 to July 2040; interest at 4.75% \$ 450,736

The total annual requirements to amortize all debt outstanding as of June 30, 2004, including interest payments of \$572,016 are as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 7,875	\$ 21,227	\$ 29,102
2006	8,258	20,844	29,102
2007	8,659	20,443	29,102
2008	9,079	20,023	29,102
2009	9,520	19,582	29,102
2010-2040	<u>407,345</u>	<u>263,216</u>	<u>670,561</u>
Totals	<u>\$ 450,736</u>	<u>\$ 365,335</u>	<u>\$ 816,071</u>

8. Flow of Funds; Restrictions on use - Sewer Revenues:

Under the terms of the Sewer Revenue Bonds, revenues derived or to be derived from the operation of the sewer system, after paying the reasonable and necessary expenses of operating and maintaining the sewer system, are to be dedicated and pledged for the reserve and contingency funds scheduled payments as follows:

Reserve Fund

Commencing with the month following completion of and acceptance of the sewer improvements financed with the proceeds of the sewer revenue bonds, a sum of \$103 per month must be deposited into the Reserve Fund from August 20, 2000, through July 20, 2001. A sum of \$122 per month must be deposited into the Reserve Fund from August 20, 2001, through July 20, 2040, until \$29,102 has been accumulated therein.

Contingency Fund

Commencing with the month following completion of and acceptance of the sewer improvements financed with the proceeds of the sewer revenue bonds, a sum of \$103 per month must be deposited into the Contingency Fund from August 20, 2000, through July 20, 2001. A sum of \$122 per month must be deposited into this fund from August 20, 2001, through July 20, 2040, which sum shall increase to \$243 per month once \$29,102 has been accumulated in the Reserve Fund

TOWN OF SAREPTA

Notes to the Financial Statements
For the Year Ended June 30, 2004

9. Restricted Assets - Proprietary Fund Type (Sewer Fund):

Restricted assets consisted of the following at June 30, 2004:

Bond and interest sinking fund	\$ 35,795
Revenue bond reserve fund	6,026
Revenue bond contingency fund	5,968
Customer deposits	5,223
	<u>\$ 53,012</u>

10. Municipal Police Employees Retirement System of Louisiana (System):

- A. Plan Description – 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% 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. 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.

- B. Funding Policy – Plan members are required by state statute to contribute 7.5% of their annual covered salary and the Town of Sarepta, Louisiana, is required to contribute at an actuarially determined rate. The current rate is 15.25% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by 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 of Sarepta, Louisiana's contributions to the System for the year ending June 30, 2004, 2003 and 2002 was \$4,181, \$2,187, and \$1,933 respectively, equal to the required contributions for the years.

11. Commitments and Contingencies:

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 carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

The Town participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement that may arise as the result of these audits is not believed to be material.

The town is not currently named as defendant in any current or pending litigation.

TOWN OF SAREPTA

Notes to the Financial Statements
For the Year Ended June 30, 2004

12. Related Party Transactions:

Procedures, observations, and inquiries did not disclose any material related party transactions for the fiscal year ended June 30, 2004.

13. On-Behalf Payments:

Procedures, observations, and inquiries did not disclose any on-behalf payments for the fiscal year ended June 30, 2004

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SAREPTA, LOUISIANA

Budgetary Comparison Schedule, General Fund For the Year Ended June 30, 2004

	General Fund			
	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Taxes:				
Ad valorem	\$ 55,000	\$ 55,000	\$ 55,512	\$ 512
Sales and use	38,000	38,000	46,674	8,674
Franchise	18,000	18,000	19,110	1,110
Licenses and permits	18,000	18,000	29,760	11,760
Fines and forfeits	32,000	32,000	33,283	1,283
Intergovernmental:				
Federal grants:				
Law enforcement equipment	-	1,700	1,710	10
State funds:				
Rural development	-	2,000	2,000	-
Law enforcement training	-	1,000	1,000	-
Interest	1,500	1,000	1,036	36
Parks and recreation	15,200	15,200	16,308	1,108
Contributions	600	2,600	3,240	640
Miscellaneous	2,500	5,800	8,661	2,861
Total revenues	180,800	190,300	218,294	27,994
Expenditures:				
Current:				
General government	86,500	89,000	93,018	(4,018)
Public safety	50,100	58,600	57,965	635
Streets	19,600	19,600	13,518	6,082
Recreation and parks	29,300	30,300	26,274	4,026
Capital outlay	9,600	9,600	-	9,600
Total expenditures	195,100	207,100	190,775	16,325
Excess of revenues over (under) expenditures	(14,300)	(16,800)	27,519	44,319
Other financing sources (uses):				
Transfers from other funds	-	-	2,813	2,813
Transfers to other funds	(7,500)	(3,800)	-	3,800
Total other financing sources (uses)	(7,500)	(3,800)	2,813	6,613
Net Change in Fund Balance	(21,800)	(20,600)	30,332	50,932
Fund balance at beginning of year	155,543	155,543	155,543	-
Fund balance at end of year	\$ 133,743	\$ 134,943	\$ 185,875	\$ 50,932

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

TOWN OF SAREPTA, LOUISIANA

Notes to Budgetary Comparison Schedule June 30, 2004

The proposed budget for the June 30, 2004, fiscal year was made available for public inspection at the office of the mayor in the Town Hall of Sarepta on June 6, 2003. The proposed budget is prepared in accordance with the Generally Accepted Accounting Principles (GAAP).

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

1. The Mayor prepares a proposed budget and submits it to the 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 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 holding the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an enabling ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. The budget is structured such that revenues are budgeted by source and appropriations are budgeted by department and by principal object of expenditure. The Board of Aldermen may revise or amend the budget at its discretion during legally convened sessions. The budgetary information presented in these financial statements is as so amended. Management may amend the budget only below the department level.
6. The Town utilizes formal budgetary integration as a management control device for all funds.

Through the budget, the Town allocates its resources and establishes its priorities. The annual budget assures the efficient and effective uses of the Town's economic resources. It establishes the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the Town's performance.

Expenditures may not legally exceed appropriations at the fund level. Appropriations that are not expended lapse at year end. The budget was amended on June 14, 2004 for the year ended June 30, 2004.

The Budgetary Comparison Schedule – Budget (GAAP Basis) to Actual presents comparisons of the original and final legally adopted budget with the actual data.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF SAREPTA, LOUISIANA

Schedule of Mayor and Aldermen's Compensation For the Year Ended June 30, 2004

During 2004, the following amounts were paid to the Mayor and Town Aldermen:

E.L. Edwards - Mayor's Salary		\$ 4,850
Aldermen per-diem:		
Michael Corley	\$ 1,300	
Wiley Corley	1,250	
Jeff Franklin	1,225	
Danny Heckendorn	1,250	
Anthony Mullins	1,225	
	<u>6,250</u>	
Total		<u>\$ 11,100</u>

The current elected officials are as follows:

Office expiration date – December 31, 2004

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following independent auditor's report on compliance and internal control over financial reporting is presented in compliance with requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.



Certified Public Accountants • Management Consultants • Business Advisors

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

The Honorable E. L. Edwards, Mayor
and the Members of the Board of Aldermen
Town of Sarepta, Louisiana

We have audited the basic financial statements of the Town of Sarepta, Louisiana, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 13, 2004. 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 Sarepta, Louisiana's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Sarepta, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic 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.

This report is intended solely for the information and use of management, the Board of Aldermen, and 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.

Smith Pugh & Company, LLP

Smith, Pugh & Company, LLP
Certified Public Accountants
Shreveport, Louisiana
December 13, 2004

TOWN OF SAREPTA, LOUISIANA

Summary Schedule of Audit Findings
June 30, 2004

FINDINGS RELATED TO COMPLIANCE

None.

FINDINGS RELATED TO INTERNAL CONTROL

None.

TOWN OF SAREPTA, LOUISIANA

Summary Schedule of Prior Audit Findings
June 30, 2004

PRIOR AUDIT FINDINGS RELATED TO COMPLIANCE

Finding 2003-01: Local Government Budget Act

Condition: The Town did not amend the budget for the General Fund even though actual expenditures exceeded the budgeted expenditures by more than 5%.

Status: Resolved, no similar finding in the current year.

PRIOR AUDIT FINDINGS RELATED TO INTERNAL CONTROL

None