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VILLAGE OF SICILY ISLAND, LOUISIANA

ANNUAL FINANCIAL STATEMENTS

AS OF JUNE 30, 2004

AND FOR THE YEAR THEN ENDED

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 2/2/05



SILAS SIMMONS LLP

CERTIFIED PUBLIC ACCOUNTANTS *and* ADVISORS

VILLAGE OF SICILY ISLAND, LOUISIANA

Annual Financial Statements
As of and for the Year Ended June 30, 2004
With Supplemental Information Schedules

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INDEPENDENT AUDITOR'S REPORT

The Honorable Art Goode, Mayor
and Members of the Board of Aldermen
Village of Sicily Island
Sicily Island, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Village of Sicily Island, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the Village's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of Village of Sicily Island, 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 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 respective financial position of the governmental activities, the business-type activities, and each major fund, of Village of Sicily Island, 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 17, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 16, 2004, on our consideration of Village of Sicily Island, Louisiana's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that

testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and pages 30 and 31, 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.

Silas Summons, LLP

Natchez, Mississippi
September 16, 2004

Required Supplemental Information (Part I)

VILLAGE OF SICILY ISLAND, LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004

INTRODUCTION

The discussion and analysis (MD&A) of Village of Sicily Island, Louisiana's financial performance provides an overall narrative review of the Village's financial activities for the year ended June 30, 2004. The intent of this discussion and analysis is to look at the Village's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the Village's financial performance.

This discussion and analysis is a new element of required supplementary information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented. However, since this is the first year of implementation of the new reporting model contained in GASB Statement No. 34, the Statement permits the omission of prior year data in the year of implementation. The Village has elected not to present comparative data.

Village of Sicily Island, Louisiana is located in northeast Louisiana along Highway 15. The population, according to the 2000 census, is 455. The local economic base is driven mainly by farming.

FINANCIAL HIGHLIGHTS

The financial statements included in this report provide insight into the financial status for the year. Based upon the operations of the year ended June 30, 2004, Village of Sicily Island, Louisiana's net assets increased and resulted in ending net assets of \$2,056,329.

1. The beginning cash balance for Village of Sicily Island, Louisiana was \$291,964. The ending cash balance was \$257,554.
2. The general fund (governmental fund) had \$282,538 in revenues, which primarily consisted of fines, property taxes, garbage fees, occupational license taxes, franchise taxes, and grants. There was \$352,611 in general fund expenditures. The general fund received \$81,561 in transfers from the proprietary fund.
3. The utility fund had revenues of \$251,536, which consisted primarily of charges for services. There was \$296,468 in expenses, which consisted primarily of salaries, gas purchases, and depreciation. The utility fund also transferred \$81,561 to the general fund for its operations.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Village of Sicily Island, Louisiana's basic financial statements. The Village's basic financial statements comprise three components: 1) government-wide statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

VILLAGE OF SICILY ISLAND, LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Government-wide financial statements. (continued)

The statement of activities presents information showing how the Village's net assets changed during the most recent fiscal year.

The government-wide financial statements outline functions of the Village that are principally supported by property taxes and intergovernmental revenues (governmental activities). Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 9 and 10 of this report.

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 basic governmental fund financial statements can be found on pages 11 through 14 of this report.

Notes to the financial statements. The notes 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 on pages 18 through 29 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$2,056,329 as of June 30, 2004.

Net assets for the period ending June 30, 2004

The current year's financial statements are dramatically different from past years as a result of implementing GASB Statement No. 34. Attempting to compare this year's data with last year's would be misleading to the reader; however, the Village looks forward to offering comparative data in the future.

The following is a condensed statement of Village of Sicily Island, Louisiana's net assets as of June 30, 2004:

	Government Activities	Business- Type Activities	Total
Current assets	\$ 211,553	\$ 100,559	\$ 312,112
Noncurrent assets	<u>160,560</u>	<u>1,942,082</u>	<u>2,102,642</u>
Total assets	<u>\$ 372,113</u>	<u>\$ 2,042,641</u>	<u>\$ 2,414,754</u>
Current liabilities	\$ 33,543	\$ 60,882	\$ 94,425
Long-term liabilities	-	<u>264,000</u>	<u>264,000</u>
Total liabilities	<u>\$ 33,543</u>	<u>\$ 324,882</u>	<u>\$ 358,425</u>
Net assets			
Investment in capital assets, net of related debt	\$ 154,151	\$ 1,658,873	\$ 1,813,024
Restricted for debt service	-	28,490	28,490
Unrestricted	<u>184,419</u>	<u>30,396</u>	<u>214,815</u>
Total net assets	<u>\$ 338,570</u>	<u>\$ 1,717,759</u>	<u>\$ 2,056,329</u>

VILLAGE OF SICILY ISLAND, LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The largest portion of the Village's net assets (\$1,813,024 or 88%) is its investment in capital assets such as buildings and equipment less related debt expended in the acquisition of those assets.

Another portion of the Village's net assets (\$28,490 or 1%) is restricted to paying long-term debt. The remaining balance of the net assets (\$214,815 or 11%) may be used to pay current operating expenses.

The Village has long-term debt of \$264,000, which was used to finance additions to the utility system in prior years. More information concerning this debt may be found on pages 27 and 28 of the notes to the financial statements. Total liabilities of \$358,425 are equal to 14% of the total assets of the Village.

The Village's governmental activities increased the net assets by \$61,206. The increase was made possible by transfers of \$81,561 from the business-type activities (the utility fund) and grants totaling \$62,638. A large portion of the increase (\$69,642) was used to acquire capital assets. Capital assets are capitalized in the current year and depreciated over their estimated lives.

The business-type activities increased the net assets by \$130,537. This increase was made possible by grants totaling \$257,030. These grants were used primarily to purchase capital assets of \$242,372, which also were capitalized in the current year and depreciated over the estimated lives of the assets.

The following is a summary of the statement of activities:

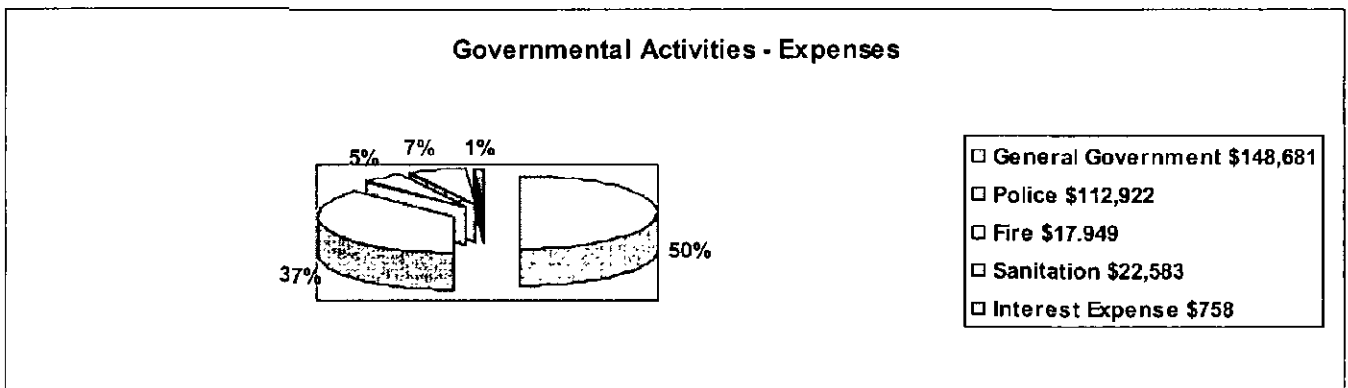
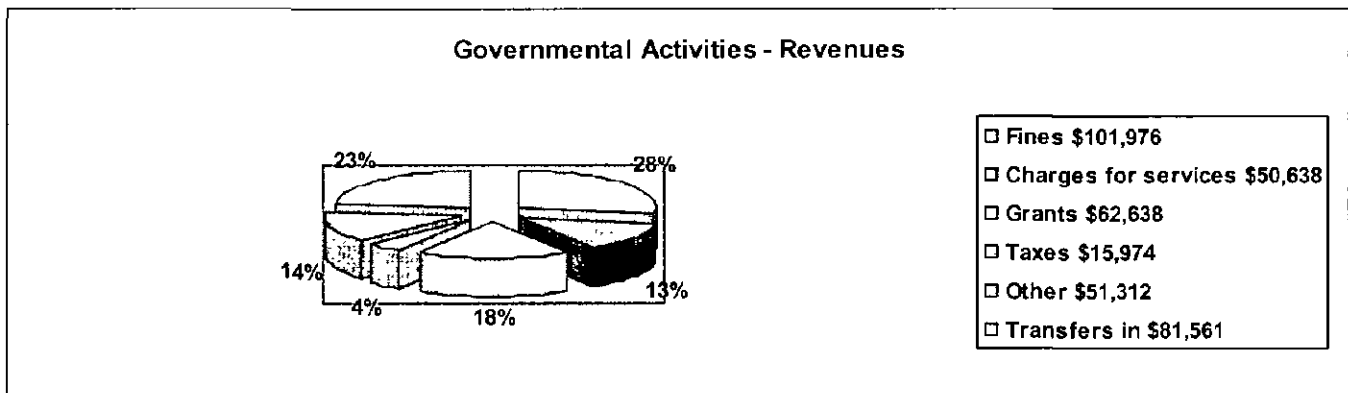
	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Revenues:			
Program revenues	\$ 215,252	\$ 506,754	\$ 722,006
General revenues and transfers	<u>148,847</u>	<u>(79,749)</u>	<u>69,098</u>
Total revenues and transfers	<u>\$ 364,099</u>	<u>\$ 427,005</u>	<u>\$ 791,104</u>
Expenses:			
General and administrative	\$ 148,681	\$ -	\$ 148,681
Public safety:			
Police	112,922	-	112,922
Fire	17,949	-	17,949
Public works – sanitation	22,583	-	22,583
Interest expense	758	-	758
Utility expense	-	<u>296,468</u>	<u>296,468</u>
Total expenses	<u>\$ 302,893</u>	<u>\$ 296,468</u>	<u>\$ 599,361</u>
Increase in net assets	\$ 61,206	\$ 130,537	\$ 191,743
Net assets June 30, 2003	<u>277,364</u>	<u>1,587,222</u>	<u>1,864,586</u>
Net assets June 30, 2004	<u>\$ 338,570</u>	<u>\$ 1,717,759</u>	<u>\$ 2,056,329</u>

VILLAGE OF SICILY ISLAND, LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004

GOVERNMENTAL ACTIVITIES

Village of Sicily Island, Louisiana's governmental activities consist of general government, public safety (police and fire), public works, and payment of interest expense of long-term debt. Since the revenues generated by the general government (e.g. fines, property taxes, garbage fees, occupational licenses, franchise taxes, and federal and state grants) were not sufficient to pay all of the expenses of these activities, cash of \$81,561 was transferred from the business-type activities (utility fund) to help pay the costs.

The following presents in graph the information from the Statement of Activities for Governmental Activities.



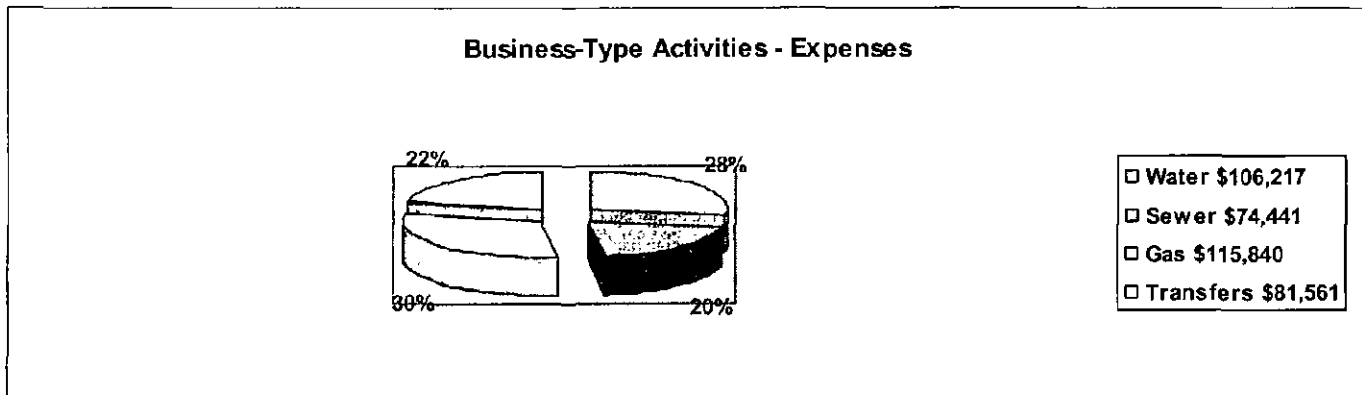
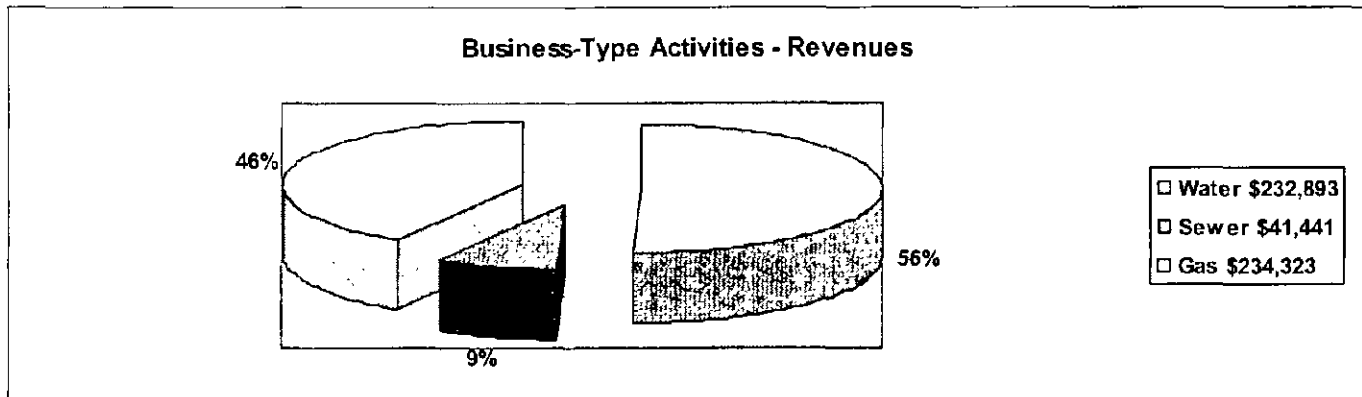
The notes to the financial statements should be read to have a full understanding of the data in the government-wide financial statements.

VILLAGE OF SICILY ISLAND, LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004

Business-Type Activities

The Business-Type Activities of the Village are those revenues resulting from fees charged customers. The Village has three Business-Type Activities, (water, gas, and sewer) which are accounted for in the utility funds.

The following presents in graphs the information from the Statement of Activities for the Business-Type Activities:



The notes to the financial statements should be read to have a full understanding of the data in the government-wide financial statements.

Comments on General Fund Budget

The Village's budget was not revised during the last year. The budgeted expenditures were \$207,640 compared to total expenditures of \$352,611. Revenues were budgeted at \$177,620 compared to total revenues of \$282,538. Additional information is available on pages 30 and 31 of Part II of these financial statements.

VILLAGE OF SICILY ISLAND, LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004

CAPITAL ASSETS AND DEBT

As of June 30, 2004, the Village had \$154,151 invested in capital assets in the general fund and \$1,658,873 in the proprietary fund. This year there were additions of \$69,642 in the general fund and \$242,372 in the utility fund. The following capital assets were purchased in this year:

General fund:

1. Park equipment	\$ 7,719
2. Ford Crown Victoria – police	25,479
3. Walking trail	13,920
4. Police car radios	738
5. Fire department equipment	19,796
6. Radar for police car	1,990
	<u>\$ 69,642</u>

Enterprise fund:

7. Waterwell – construction in progress	\$ 31,116
8. Gas and water lines	211,256
	<u>\$ 242,372</u>

At the end of the current fiscal year, the Village had outstanding bonded debt of \$273,000. Principal payments of \$9,000 are due to be paid during the next fiscal year. This debt was incurred in 1981 with an original balance of \$393,000 with an interest rate of 5%.

REQUEST FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to Alice Perry, Town Clerk, Village of Sicily Island, Louisiana.

Basic Financial Statements

Government-Wide Financial Statements

VILLAGE OF SICILY ISLAND, LOUISIANA

STATEMENT OF NET ASSETS

JUNE 30, 2004

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 173,648	\$ 55,416	\$ 229,064
Receivables (net of allowances for uncollectibles)	37,905	16,186	54,091
Restricted assets	-	28,490	28,490
Accrued interest income	-	467	467
Capital assets (net)	<u>160,560</u>	<u>1,942,082</u>	<u>2,102,642</u>
Total assets	<u>\$ 372,113</u>	<u>\$ 2,042,641</u>	<u>\$ 2,414,754</u>
LIABILITIES			
Accounts, salaries, and other payables	\$ 24,694	\$ 11,788	\$ 36,482
Payable from restricted assets	-	19,209	19,209
Compensated absences payable	2,440	-	2,440
Meter deposits	-	29,885	29,885
Capital lease payable, due within one year	3,078	-	3,078
Capital lease payable, beyond one year	3,331	-	3,331
Note payable, beyond one year	<u>-</u>	<u>264,000</u>	<u>264,000</u>
Total liabilities	<u>\$ 33,543</u>	<u>\$ 324,882</u>	<u>\$ 358,425</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 154,151	\$ 1,658,873	\$ 1,813,024
Restricted for debt service	-	28,490	28,490
Unrestricted	<u>184,419</u>	<u>30,396</u>	<u>214,815</u>
Total net assets	<u>\$ 338,570</u>	<u>\$ 1,717,759</u>	<u>\$ 2,056,329</u>

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

VILLAGE OF SICILY ISLAND, LOUISIANA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2004

	Program Revenues		Capital Grants and Contributions	Net (Expenses)/ Revenue	Net (Expenses), Revenues, and Changes		Total
	Charges for Services	Operating Grants and Contributions			Governmental Activities	Business-Type Activities	
GOVERNMENTAL ACTIVITIES							
General government	\$ 148,681	\$ -	\$ 20,020	\$ (128,661)	\$ (128,661)	\$ -	\$ (128,661)
Public safety							
Police	112,922	3,348	21,010	13,412	13,412	-	13,412
Fire	17,949	-	18,260	8,755	8,755	-	8,755
Public works							
Sanitation	22,583	-	-	19,611	19,611	-	19,611
Interest on long-term debt	758	-	-	(758)	(758)	-	(758)
Total governmental activities	\$ 302,893	\$ 3,348	\$ 59,290	\$ (87,641)	\$ (87,641)	\$ -	\$ (87,641)
BUSINESS-TYPE ACTIVITIES							
Water	\$ 106,217	\$ -	\$ 144,510	\$ 125,464	\$ -	\$ 125,464	\$ 125,464
Gas	115,840	-	112,520	118,392	-	118,392	118,392
Sewer	74,411	-	-	(33,570)	-	(33,570)	(33,570)
Total business-type activities	\$ 296,468	\$ -	\$ 257,030	\$ 210,286	\$ -	\$ 210,286	\$ 210,286
Total	\$ 599,361	\$ 3,348	\$ 316,320	\$ 122,645	\$ (87,641)	\$ 210,286	\$ 122,645

General Revenues:

Taxes:							
Ad Valorem	\$ 11,384	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,384
Franchise taxes	4,590	-	-	-	-	-	4,590
Beer taxes	1,445	-	-	-	-	-	1,445
Occupational licenses	15,731	-	-	-	-	-	15,731
Investment earnings	3,011	-	-	1,812	-	1,812	4,823
Other general revenues	31,125	-	-	-	-	-	31,125
Transfers	81,561	-	-	(81,561)	-	-	-
Total general revenues and transfers	\$ 148,847	\$ -	\$ (79,749)	\$ (79,749)	\$ -	\$ 69,098	\$ 69,098
Change in net assets	\$ 61,206	\$ -	\$ 130,537	\$ 130,537	\$ -	\$ 130,537	\$ 191,743
Net assets - beginning	277,364	-	-	1,587,222	-	1,587,222	1,864,586
Net assets - ending	\$ 338,570	\$ -	\$ 1,717,759	\$ 1,717,759	\$ -	\$ 2,056,329	\$ 2,056,329

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

Fund Financial Statements

Governmental Funds

VILLAGE OF SICILY ISLAND, LOUISIANA

BALANCE SHEET,
GOVERNMENTAL FUNDS

JUNE 30, 2004

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 173,648
Receivables (net of allowances for uncollectibles)	37,905
Total assets	\$ 211,553
 <u>LIABILITIES AND FUND BALANCES</u>	
Liabilities:	
Accounts, salaries, and other payables	\$ 24,693
Total liabilities	\$ 24,693
Fund balances:	
Unreserved, reported in:	
General Fund	\$ 186,860
Total fund balances	\$ 186,860
Total liabilities and fund balances	\$ 211,553

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

VILLAGE OF SICILY ISLAND, LOUISIANA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE FINANCIAL STATEMENT OF NET ASSETS**

JUNE 30, 2004

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Fund Balances, Total Governmental Funds (Statement C)	\$	186,860
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		160,560
Long-term liabilities including bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Compensated absences		(2,440)
Bonds, notes, and loans payable		<u>(6,410)</u>
Net Assets of Governmental Activities (Statement A)	\$	<u>338,570</u>

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

VILLAGE OF SICILY ISLAND, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES,
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2004

	<u>General Fund</u>
<u>REVENUES</u>	
Taxes:	
Ad valorem	\$ 11,384
Franchise	4,590
Occupational licenses	15,731
Beer tax	1,445
Intergovernmental revenues:	
Federal grants	39,270
State and local	23,368
Fines and forfeitures	101,976
Charges for services	50,638
Investment earnings	3,011
Other revenues	<u>31,125</u>
Total revenues	<u>\$ 282,538</u>
<u>EXPENDITURES</u>	
General government	\$ 147,303
Public safety:	
Police	104,050
Fire	8,167
Public works:	
Sanitation	19,846
Capital outlay	69,642
Debt service:	
Principal	2,845
Interest	<u>758</u>
Total expenditures	<u>\$ 352,611</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (70,073)</u>
<u>OTHER FINANCING SOURCES (USES)</u>	
Transfers in	<u>\$ 81,561</u>
Total other financing sources (uses)	<u>\$ 81,561</u>
Net change in fund balance	\$ 11,488
Fund balances – beginning	<u>175,372</u>
Fund balances – ending	<u>\$ 186,860</u>

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

VILLAGE OF SICILY ISLAND, 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

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

Net Change in Fund Balances, Total Governmental Funds (Statement E)	\$	11,488
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		47,473
The issuance of long-term debt (bonds, leases, etc.) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		2,845
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>(600)</u>
Change in Net Assets of Governmental Activities (Statement B)	\$	<u>61,206</u>

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

Proprietary Funds

VILLAGE OF SICILY ISLAND, LOUISIANA

STATEMENT OF NET ASSETS,
PROPRIETARY FUNDS

JUNE 30, 2004

	Major Funds			
	Business-Type Activities – Enterprise Funds			Totals
	Water	Sewer	Gas	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 52,713	\$ 938	\$ 1,765	\$ 55,416
Receivables (net of allowances for uncollectibles)	7,172	4,195	4,819	16,186
Accrued interest income	155	312	-	467
Total current assets	\$ 60,040	\$ 5,445	\$ 6,584	\$ 72,069
Noncurrent assets				
Restricted assets:				
Cash and cash equivalents	\$ -	\$ 28,490	\$ -	\$ 28,490
Capital assets (net of accumulated depreciation)	618,004	1,072,214	251,864	1,942,082
Total noncurrent assets	\$ 618,004	\$ 1,100,704	\$ 251,864	\$ 1,970,572
Total assets	\$ 678,044	\$ 1,106,149	\$ 258,448	\$ 2,042,641
LIABILITIES				
Current liabilities:				
Accounts, salaries, and other payables	\$ 7,260	\$ 1,128	\$ 3,400	\$ 11,788
Meter deposits	29,885	-	-	29,885
Total current liabilities	\$ 37,145	\$ 1,128	\$ 3,400	\$ 41,673
Current liabilities payable from restricted assets				
Accrued interest payable from restricted assets	\$ -	\$ 10,209	\$ -	\$ 10,209
Current portion of long-term debt	-	9,000	-	9,000
Total current liabilities payable from restricted assets	\$ -	\$ 19,209	\$ -	\$ 19,209
Noncurrent liabilities				
Long-term debt	\$ -	\$ 264,000	\$ -	\$ 264,000
Total noncurrent liabilities	\$ -	\$ 264,000	\$ -	\$ 264,000
Total liabilities	\$ 37,145	\$ 284,337	\$ 3,400	\$ 324,882
NET ASSETS				
Invested in capital assets, net of related debt	\$ 618,004	\$ 789,005	\$ 251,864	\$ 1,658,872
Restricted for debt services	-	28,490	-	28,490
Unrestricted	22,895	4,317	3,184	30,397
Total net assets	\$ 640,899	\$ 821,812	\$ 255,048	\$ 1,717,759

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

VILLAGE OF SICILY ISLAND, LOUISIANA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS,
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2004

	Major Funds			
	Business-Type Activities – Enterprise Funds			Totals
	Water	Sewer	Gas	
OPERATING REVENUES				
Charges for services	\$ 77,686	\$ 40,841	\$ 121,712	\$ 240,239
Other operating revenue	9,485	-	-	9,485
Total operating revenues	\$ 87,171	\$ 40,841	\$ 121,712	\$ 249,724
OPERATING EXPENSES				
Salaries and payroll taxes	\$ 41,902	\$ 8,234	\$ 8,285	\$ 58,421
Contract services	3,200	275	-	3,475
Materials and supplies	8,097	5,916	76,877	90,890
Repairs and maintenance	2,782	1,044	1,168	4,994
Insurance	928	2,344	453	3,725
Depreciation	30,717	29,176	12,046	71,939
Dues	-	-	710	710
Travel	461	-	339	800
Utilities and telephone	7,712	7,239	-	14,951
Bad debts	7,713	4,517	13,460	25,690
Miscellaneous	2,705	2,985	2,502	8,192
Total operating expenses	\$ 106,217	\$ 61,730	\$ 115,840	\$ 283,787
Operating Income	\$ (19,046)	\$ (20,889)	\$ 5,872	\$ (34,063)
Nonoperating Revenues (Expenses)				
Interest earnings	\$ 1,212	\$ 600	\$ -	\$ 1,812
Interest expense	-	(12,681)	-	(12,681)
Total nonoperating revenues (expenses)	\$ 1,212	\$ (12,081)	\$ -	\$ (10,869)
Income Before Contributions and Transfers				
Capital contributions	\$ 144,510	\$ -	\$ 112,520	\$ 257,030
Transfer out	(65,623)	(5,370)	(10,568)	(81,561)
Change in Net Assets	\$ 61,053	\$ (38,340)	\$ 107,824	\$ 130,537
Total net assets – beginning	579,846	860,152	147,224	1,587,222
Total net assets – ending	\$ 640,899	\$ 821,812	\$ 255,048	\$ 1,717,759

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

VILLAGE OF SICILY ISLAND, LOUISIANA

STATEMENT OF CASH FLOWS,
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2004

	Enterprise Fund
	Utility Fund
<u>Cash Flows From Operating Activities</u>	
Receipts from customers and users	\$ 245,968
Payments to suppliers	(162,254)
Payments to employees	(54,231)
Net cash provided by operating activities	\$ 29,483
<u>Cash Flows From Noncapital Financing Activities</u>	
Transfers to other funds	\$ (81,561)
Net cash used by noncapital financing activities	\$ (81,561)
<u>Cash Flows From Capital and Related Financing Activities</u>	
Capital contributions	\$ 257,030
Purchase of capital assets	(242,372)
Principal paid on capital debt	(9,000)
Interest paid on capital debt	(14,100)
Net cash used by capital and related financing activities	\$ (8,442)
<u>Cash Flows from Investing Activities</u>	
Interest on temporary investments	\$ 1,757
Net cash provided by investing activities	\$ 1,757
Net decrease in cash and cash equivalents	\$ (58,763)
Cash and cash equivalents, beginning of year	142,669
Cash and cash equivalents, end of year	\$ 83,906
<u>Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities</u>	
Operating loss	\$ (34,063)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities	
Depreciation	\$ 71,939
Change in assets and liabilities	
(Increase) decrease in:	
Accounts receivable - customers	(3,756)
Increase (decrease) in:	
Accounts payable	(6,141)
Customer deposits	1,504
Total adjustments	\$ 63,546
Net cash provided by operating activities	\$ 29,483

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

Notes to the Financial Statements

VILLAGE OF SICILY ISLAND, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

INTRODUCTION

Village of Sicily Island, Louisiana is a municipal corporation governed by an elected mayor. The Village was incorporated August 21, 1995 under provisions of the Lawrason Act. The purpose of the municipality is to provide utility services, public safety (police and fire), sanitation, and general administrative services. The Board of Aldermen consists of three elective members and they are paid \$554 per month. The Village is located in the northeastern portion of Catahoula Parish, Louisiana. The population of Sicily Island is 455 persons. The Village has 7 full-time employees. Village of Sicily Island, Louisiana has approximately 399 utility customers.

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 provisions of this Statement, the municipality 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 municipality 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, and issue bonded debt.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Government-Wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are 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.

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 include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

B. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

VILLAGE OF SICILY ISLAND, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The municipality reports the following major governmental funds:

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

The municipality reports the following major proprietary funds:

The Utility Fund is used to account for the provision of gas and water utilities, as well as sewer services to residents of the Village and some residents of the Parish. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing, and related debt service and billing and collection.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

VILLAGE OF SICILY ISLAND, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal on-going operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

C. Deposits and Investments

The municipality's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of six months or less from the date of acquisition. State law and the municipality's investment policy allow the municipality to invest in collateralized certificates of deposits, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities.

D. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Uncollectible amounts due for ad valorem taxes and customer's utility receivables are recognized through the establishment of an allowance account at the time information becomes available, which would indicate the uncollectibility of the particular receivable.

The Village annually levies ad valorem taxes in accordance with state statute for the fiscal year ended June 30. Tax bills are prepared and delivered in October with payment due from the date of receipt to the last day of February. Because of the due dates noted previously, ad valorem taxes are not considered to be available resources of the fiscal year to which they apply and are, therefore, not accrued at the end of the fiscal year.

The Village bills and collects its own property taxes using the assessed values determined by the Tax Assessor of Catahoula Parish.

For the year ended June 30, 2004, taxes of 8.09 mills were levied on property with assessed valuations totaling \$1,274,270, after abatements and exemptions and were dedicated as follows:

General corporate purposes	8.09
Total taxes levied were	\$10,309

VILLAGE OF SICILY ISLAND, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Inventories

For both governmental and proprietary funds, purchase of various operating supplies are regarded as expenditures or expenses at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year. For the year ending June 30, 2004, these amounts were considered to be immaterial.

F. Restricted Assets - Utility Fund

Restricted assets represent resources that must be expended in a specific manner. Restrictions of this nature are imposed by various contractual obligations including grant agreements and bond covenants. In situations where it is permissible to spend restricted resources, the Village typically depletes the available restricted resources before consuming unrestricted resources. Restricted assets were applicable to the following at June 30, 2004.

Depreciation Fund	\$ 8,659
Reserve Fund	7,307
Sinking Fund	<u>12,524</u>
	<u>\$ 28,490</u>

G. Capital Assets

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

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.

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

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

<u>Description</u>	<u>Estimated Lives</u>
Governmental activities:	
Land improvements	30 years
Buildings	40 years
Vehicles	5 - 15 years
Machinery and equipment	5 - 15 Years

VILLAGE OF SICILY ISLAND, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Capital Assets (continued)

<u>Description</u>	<u>Estimated Lives</u>
Business-type activities/Enterprise Fund:	
Buildings	25 years
Infrastructure	20 – 50 years
Machinery and equipment	10 – 20 years
Vehicles	5 years

H. Compensated Absences

Each full-time employee is credited with one day of vacation leave for each month worked. The employee's vacation leave will begin to accumulate upon finishing a six-month probation period. Employees are allowed five days of sick leave up until his or her first anniversary date arrives. After his or her first anniversary, the employee shall earn sick leave at the rate of ten days per anniversary date. In accordance with GASB Statement No. 16, the Village has accrued compensated absences of \$2,440 as of June 30, 2004.

I. Long-Term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Fund Equity

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

K. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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.

VILLAGE OF SICILY ISLAND, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The Village follows procedures established by Louisiana Revised Statute in the preparation and adoption of its annual operating budgets as follows:

1. The Village prepares a proposed budget and submits same to the Mayor and 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 at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of 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 are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budget amounts are as originally adopted, or as amended from time to time by the Board of Aldermen.

NOTE 3 – CASH AND CASH EQUIVALENTS

At June 30, 2004, the municipality has cash and cash equivalents (book balances) totaling \$257,554 as follows:

Demand deposits	\$ 20,550
Interest-bearing demand deposits	77,164
Time deposits	159,618
Cash on hand	<u>222</u>
Total	<u>\$ 257,554</u>

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 June 30, 2004, the municipality has \$264,443 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$361,896 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

VILLAGE OF SICILY ISLAND, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 3 - CASH AND CASH EQUIVALENTS (continued)

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

NOTE 4 - RECEIVABLES

The receivables of \$54,091 at June 30, 2004, are as follows:

Class of Receivable	General Fund	Enterprise Fund	Total
Taxes:			
Ad valorem	\$ 378	\$ -	\$ 378
Sales and use	4,429	-	4,429
Accounts	17,610	19,529	37,139
Other	15,488	-	15,488
Allowance for uncollectibles	-	(3,343)	(3,343)
 Total	 <u>\$ 37,905</u>	 <u>\$ 16,186</u>	 <u>\$ 54,091</u>

Uncollectible amounts due for customers' utility receivables 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 receivable.

NOTE 5 - INTERFUND RECEIVABLES/PAYABLES

There were no interfund receivables or payables at June 30, 2004.

NOTE 6 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 13,000	\$ -	\$ -	\$ 13,000
Total capital assets, not being depreciated	<u>\$ 13,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,000</u>
Capital assets being depreciated				
Buildings	\$ 54,810	\$ -	\$ -	\$ 54,810
Land improvements	-	13,920	-	13,920
Machinery and equipment	43,935	30,243	-	74,178
Vehicles	195,907	25,479	-	221,386
Total capital assets being depreciated	<u>\$ 294,652</u>	<u>\$ 69,642</u>	<u>\$ -</u>	<u>\$ 364,294</u>

VILLAGE OF SICILY ISLAND, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 6 – CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities (continued):</u>				
Less accumulated depreciation for:				
Buildings and structures	\$ (18,240)	\$ (1,397)	\$ -	\$ (19,637)
Improvements other than buildings	-	(39)	-	(39)
Machinery and equipment	(29,370)	(3,125)	-	(32,495)
Vehicles	(146,955)	(17,608)	-	(164,563)
Total accumulated depreciation	<u>\$ (194,565)</u>	<u>\$ (22,169)</u>	<u>\$ -</u>	<u>\$ (216,734)</u>
Total capital assets being depreciated, net	<u>\$ 113,087</u>	<u>\$ 47,473</u>	<u>\$ -</u>	<u>\$ 160,560</u>
 <u>Business-type activities:</u>				
Capital assets, not being depreciated				
Land	\$ 39,280	\$ -	\$ -	\$ 39,280
Construction in progress	-	31,116	-	31,116
Total capital assets, not being depreciated	<u>\$ 39,280</u>	<u>\$ 31,116</u>	<u>\$ -</u>	<u>\$ 70,396</u>
Capital assets being depreciated				
Buildings	\$ 24,383	\$ -	\$ -	\$ 24,383
Infrastructure	2,445,887	211,256	-	2,657,143
Machinery, equipment, and vehicles	181,667	-	-	181,667
Total capital assets being depreciated	<u>\$ 2,651,937</u>	<u>\$ 211,256</u>	<u>\$ -</u>	<u>\$ 2,863,193</u>
Less accumulated depreciation for:				
Buildings	\$ (21,081)	\$ (551)	\$ -	\$ (21,632)
Infrastructure	(748,175)	(65,256)	-	(813,431)
Machinery, equipment, and vehicles	(150,312)	(6,132)	-	(156,444)
Total accumulated depreciation	<u>\$ (919,568)</u>	<u>\$ (71,939)</u>	<u>\$ -</u>	<u>\$ (991,507)</u>
Total capital assets being depreciated, net	<u>\$ 1,771,649</u>	<u>\$ 170,433</u>	<u>\$ -</u>	<u>\$ 1,942,082</u>
 Depreciation expense of \$22,169 for the year ended June 30, 2004, was charged to the following governmental functions:				
General government			\$	778
Public safety:				
Police				8,872
Fire				9,783
Public works:				
Sanitation				<u>2,736</u>
Total			<u>\$</u>	<u>22,169</u>

VILLAGE OF SICILY ISLAND, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 7 - CONSTRUCTION COMMITMENTS

The municipality has active construction projects as of June 30, 2004. At year-end the commitments with contractors are as follows:

<u>Project</u>	<u>Spent To Date</u>	<u>Remaining Commitment</u>
Watson Well Drilling (Water Well)	\$ <u> </u> -	\$ <u> 164,490</u>

NOTE 8 - INTERFUND TRANSFERS

Interfund transfers during the year ended June 30, 2004, were as follows:

\$81,561 was transferred from the Utility Fund to the General Fund.

Transfers are primarily used to move funds from:

- The Proprietary Funds to the General Fund to cover expenses of general operations.

NOTE 9 - ACCOUNTS, SALARIES, AND OTHER PAYABLES

The payables of \$36,482 at June 30, 2004 are as follows:

	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Withholdings	\$ 15,485	\$ 6,461	\$ 21,946
Accounts	<u>9,209</u>	<u>5,327</u>	<u>14,536</u>
Total	<u>\$ 24,694</u>	<u>\$ 11,788</u>	<u>\$ 36,482</u>

NOTE 10 - LEASES

The municipality records items under capital leases as an asset and an obligation in the accompanying financial statements. The following is an analysis of capital leases:

<u>Type</u>	<u>Recorded Amount</u>
Equipment (Tractor)	\$ 12,858
Less: Accumulated depreciation	<u>(2,036)</u>
Net carrying value	<u>\$ 10,822</u>

VILLAGE OF SICILY ISLAND, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 10 - LEASES (continued)

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of June 30, 2004:

<u>Fiscal Year</u>	<u>Equipment</u>
2005	\$ 3,604
2006	<u>3,604</u>
Net minimum lease payments	\$ 7,208
Less – amounts representing interest	<u>799</u>
Present value of net minimum lease payments	<u>\$ 6,409</u>

NOTE 11 - LONG-TERM OBLIGATIONS

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

	<u>Bonded Debt</u>	<u>Compensated Absences</u>	<u>Total</u>
Long-term obligations at beginning of year	\$ 282,000	\$ 1,840	\$ 283,840
Additions	-	600	600
Deductions	<u>9,000</u>	<u>-</u>	<u>9,000</u>
Long-term obligations at end of year	<u>\$ 273,000</u>	<u>\$ 2,440</u>	<u>\$ 275,440</u>

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of June 30, 2004.

	<u>Bonded Debt</u>	<u>Compensated Absences</u>	<u>Total</u>
Current portion	\$ 9,000	\$ 2,440	\$ 11,440
Long-term portion	<u>264,000</u>	<u>-</u>	<u>264,000</u>
Total	<u>\$ 273,000</u>	<u>\$ 2,440</u>	<u>\$ 275,440</u>

Long-term debt consisted of a \$393,800 Sewer Revenue Bond dated September 2, 1981, due in annual installments of \$9,000 to \$23,000 through September 2, 2021 with interest rate of 5%.

VILLAGE OF SICILY ISLAND, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 11 – LONG-TERM OBLIGATIONS (continued)

A schedule of maturities of long-term debt follows for the years ended June 30:

<u>Year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 9,000	\$ 13,650	\$ 22,650
2006	10,000	13,200	23,200
2007	10,000	12,700	22,700
2008	11,000	12,200	23,200
2009	11,000	11,650	22,650
2010-2014	66,000	49,300	115,300
2015-2019	90,000	30,500	120,500
2020-2022	66,000	6,700	72,700
	<u>\$ 273,000</u>	<u>\$ 149,900</u>	<u>\$ 422,900</u>

Interest incurred in connection with long-term debt totaled \$12,681 and the entire balance has been presented as a direct expense of the Village sewer system.

NOTE 12 – SALES AND USE TAX REVENUES

Village of Sicily Island receives hard surface road tax and sanitation tax from Catahoula Parish.

NOTE 13 – RETIREMENT SYSTEM

Beginning in February 2004, Village of Sicily Island offers its employees a voluntary savings plan under Section 457(b) of the Internal Revenue Code. The plan, available to all employees, permits them to defer a portion of their salary until future years. Distributions are available if the employee terminates employment, becomes disabled, retires, or dies. Distributions are also available to meet immediate and unexpected financial hardship needs. The Village also established a 401(a) plan, which allows matching up to 3% of the employees gross compensation, only if the employee participated in the 457(b) plan. To be eligible for this plan, the employee must have completed at least 90 days of service. Elected officials are not permitted to participate in the 401(a) plan. As of June 30, 2004, Village of Sicily Island has accrued \$2,050 in matching contributions.

NOTE 14 – COMPENSATION OF THE GOVERNING BOARD

The Governing Board of Village of Sicily Island, Louisiana consists of a Mayor and three Board of Aldermen. For the fiscal year ended June 30, 2004, the following compensations were paid:

	<u>Salary</u>
Art Goode, Mayor	\$ 6,645
Tim Ford, Alderman	6,645
Gloria Anderson, Alderwoman	6,645
Emma Hilliard, Alderwoman	<u>6,645</u>
Totals	<u>\$ 26,580</u>

VILLAGE OF SICILY ISLAND, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 15 – RISK MANAGEMENT

The Village 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 Village carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 16 – CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Village expects such amounts, if any, to be immaterial.

NOTE 17 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For the fiscal year ended June 30, 2004, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

At June 30, 2004, there was no effect on fund balances as a result of implementing GASB Statements 37 and 38.

GASB Statement No. 34 creates new basic financial statements for reporting on the Village's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and governmental fund financial statements prepared on the modified accrual basis of accounting, which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to GASB Statement No. 34.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

	<u>General Fund</u>
Fund balances, June 30, 2002	
As originally presented	\$ 175,372
GASB Statement No. 34 Adjustment:	
Capital asset, net	113,087
Long-term liabilities	<u>(11,095)</u>
Governmental activities net assets, June 30, 2003	<u>\$ 277,364</u>

Required Supplemental Information (Part II)

VILLAGE OF SICILY ISLAND, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 67,300	\$ 67,300	\$ 32,210	\$ (35,090)
Licenses and permits	14,500	14,500	15,731	1,231
Intergovernmental revenues	4,000	4,000	62,638	58,638
Fines and forfeitures	56,000	56,000	101,976	45,976
Charges for services	15,420	15,420	50,638	35,218
Other	20,400	20,400	19,345	(1,055)
Total revenues	<u>\$ 177,620</u>	<u>\$ 177,620</u>	<u>\$ 282,538</u>	<u>\$ 104,918</u>
Expenditures				
Current				
General government	\$ 98,680	\$ 98,680	\$ 168,942	\$ (70,262)
Public safety:				
Police	85,650	85,650	132,257	(46,607)
Fire	3,940	3,940	27,963	(24,023)
Public works:				
Sanitation	19,370	19,370	19,846	(476)
Debt service:				
Principal	-	-	2,845	(2,845)
Interest	-	-	758	(758)
Total expenditures	<u>\$ 207,640</u>	<u>\$ 207,640</u>	<u>\$ 352,611</u>	<u>\$ (144,971)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (30,020)</u>	<u>\$ (30,020)</u>	<u>\$ (70,073)</u>	<u>\$ (40,053)</u>
Other Financing Sources (Uses)				
Transfers in	\$ 31,000	\$ 31,000	\$ 81,561	\$ 50,561
Total other financing sources (uses)	<u>\$ 31,000</u>	<u>\$ 31,000</u>	<u>\$ 81,561</u>	<u>\$ 50,561</u>
Net Change in Fund Balance	<u>\$ 980</u>	<u>\$ 980</u>	<u>\$ 11,488</u>	<u>\$ 10,508</u>
Fund Balance at Beginning of Year	<u>\$ 175,372</u>	<u>\$ 175,372</u>	<u>\$ 175,372</u>	<u>\$ -</u>
Fund Balance at End of Year	<u><u>\$ 176,352</u></u>	<u><u>\$ 176,352</u></u>	<u><u>\$ 186,860</u></u>	<u><u>\$ 10,508</u></u>

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

VILLAGE OF SICILY ISLAND, LOUISIANA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2004

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule

1. Basis of Presentation

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, and variances between the final budget and the actual data.

2. Budget Amendments and Revisions

The budget is adopted by the Board of Aldermen. Amendments can be made on the approval of the Board of Aldermen. No amendments have been made from the original adopted budget. A budgetary comparison is presented for the General Fund and each major special revenue fund consistent with accounting principles generally accepted in the United States of America. There were no major special revenue funds.

Reports On Compliance And Internal Control



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

The Honorable Art Goode, Mayor
and Members of the Board of Aldermen
Village of Sicily Island
Sicily Island, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Village of Sicily Island, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise Village of Sicily Island, Louisiana's basic financial statements, and have issued our report thereon dated September 16, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Sicily Island, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Village of Sicily Island, Louisiana's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as item numbers 03-02, 04-02, and 04-03.

A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition 03-02 described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Sicily Island, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings and Questioned Costs as items 04-01.

This report is intended for the information of the Mayor, Members of the Board of Aldermen, management of Village of Sicily Island, Louisiana, and 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

SCAS Simmonds LLP

Natchez, Mississippi
September 16, 2004

VILLAGE OF SICILY ISLAND, LOUISIANA

CURRENT YEAR FINDINGS, RECOMMENDATIONS, AND CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2004

Reference No.	Description of Finding	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
Section I – Internal Control and Compliance Material to the Financial Statements				
04-01	In review of the 1981 Sewer Revenue bond agreement, we noted that the Village is not in compliance with its loan covenants.	Management plans to create a permanent schedule of loan covenants and insure that these covenants are met.	Alice Perry, Village Clerk	September 30, 2004
03-02	From the understanding of the Village's internal control structure, we have determined that the small size of the Village and its limited number of personnel do not allow for the adequate segregation of duties among employees.	Management will continue to develop and implement control procedures to minimize this inherent problem associated with being a small entity.	Alice Perry, Village Clerk	N/A
Section II – Internal Control and Compliance Material to Federal Awards				
Not applicable.				
Section III – Management Letter				
04-02	In review on the control over accounts receivable, we noted that the accounts receivable is not being reconciled on a monthly basis to its subsidiary ledger. Also, the Village was unable to provide us with a complete subsidiary ledger at year-end.	Management plans to provide the service organization a complete accounts receivable subsidiary ledger at the end of each month. The service organization will make the necessary entries to reconcile the general ledger to the subsidiary ledger.	Alice Perry, Village Clerk	September 30, 2004
04-03	During April 2004, the Village converted its utility billing system. All prior unpaid accounts and the customer utility deposits have not been entered into the new billing system as of June 30, 2004.	Management plans to enter into the new billing system any arrears accounts as of April 2004 that have not been paid. Also, management plans to enter all utility deposits into the new system.	Alice Perry, Village Clerk	September 30, 2004

VILLAGE OF SICILY ISLAND, LOUISIANA
STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004

Reference No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action/Partial Corrective Action Taken
Section I – Internal Control and Compliance Material to the Financial Statements				
03-01	June 30, 2003	The Village did not file form 1099 for year 2002. Forms 1099 are required for payment to persons receiving over \$600 in a calendar year. The Village had at least five individuals receiving up to \$5,000 during the year who did not receive a 1099 for these payments.	Yes	
03-02	June 30, 2003	The Village does not have adequate segregation of duties in the Town Hall. At present time the same person records and handles almost all financial transactions including receiving cash, making deposits, paying invoices, and maintaining records.	No	Management will continue to develop and implement control procedures to minimize this inherent problem associated with being a small entity.
Section II – Internal Control and Compliance Material to Federal Awards				
Not applicable.				
Section III – Management Letter				
02-03	June 30, 2002	The filing system was not functional or up to standards making it very difficult to find current items.	Yes	
03-04	June 30, 2003	The Village should hire someone outside of the Town Hall to maintain the general ledger because the Village has so few employees. Internal control would be stronger if the Town Clerk did not maintain the general ledger as well as write checks, reconcile bank statements, and do other accounting functions.	Yes	



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MANAGEMENT LETTER

The Mayor and Board of Aldermen
Village of Sicily Island
Sicily Island, Louisiana

In planning and performing our audit of the basic financial statements of Village of Sicily Island, Louisiana, for the year ended June 30, 2004, we considered its internal control 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 internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated September 16, 2004, on the basic financial statements of Village of Sicily Island, Louisiana.

Finding 03-02

From the understanding of the Village's internal control structure, we have determined that the small size of the Village and its limited number of personnel do not allow for the adequate segregation of duties among employees. This finding continues for the current year.

Recommendation

We do not believe that it would be cost effective for the Village to hire additional staff required to resolve this problem. We recommend that the Board continue to implement control procedures to minimize this inherent problem associated with being a small entity.

Management's Response

Management agrees with the above recommendation.

Finding 04-01

In review of the 1981 Sewer Revenue bond agreement, we noted that the Village is not in compliance with all of its loan covenants. The loan covenants are as follows:

All of the income and revenue of the Sewer System shall be deposited as collected into the Sewer Revenue Fund and shall be established, maintained, and administered in the following order or priority.

- A. The establishment of a Revenue Bond and Interest Sinking Fund sufficient to pay the principal and interest on the bonds as they come due, by transferring 1/6 of the amount of interest falling due on the next succeeding interest payment date, and 1/12 of the amount of principal falling due on the next succeeding date on which the principal is payable.

- B. The establishment of a Sewer Reserve Fund by transferring five percent (5%) of the amount transferred to the Bond and Interest Sinking Fund to said fund until such time as there has been accumulated in said reserve fund an amount of money equal to the highest combined principal and interest requirements for any succeeding twelve month period.
- C. The establishment and maintenance of a "Sewer Depreciation and Contingency Fund" to care for depreciation, extensions, additions, improvements, and replacements necessary to operate the system properly by transferring to said fund the sum of \$97 per month.

Recommendation

We recommend management to create a permanent schedule of loan covenants and insure that the appropriate transfers into each fund are being made on a monthly basis.

Management's Response

Management agrees with the above recommendation.

Finding 04-02

In review of the control over accounts receivable, we noted that the accounts receivable is not being reconciled on a monthly basis to its subsidiary ledger. Also, the Village was unable to provide us with a complete subsidiary ledger at year-end.

Recommendation

We recommend that the Village prints out a detailed accounts receivable ledger at the end of each month and provide it to the Service Organization for reconciliation with the general ledger. This would provide more accurate and meaningful interim financial reporting. A copy should be provided to management to identify potential collection problems on a more timely basis.

Management's Response

Management agrees with the above recommendation.

Finding 04-03

During April 2004, the Village converted its utility billing system. All prior unpaid accounts and the customer utility deposits have not been entered into the new billing system as of June 30, 2004.

Recommendation

We recommend the Village to implement a plan to enter these prior receivables and customer utility deposits into their new billing system. Without these receivables and deposits entered into the new system, management is unable to monitor these accounts for collection purposes.

Management's Response

Management agrees with the above recommendation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the 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.

Our consideration of the internal control structure would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, of the reportable conditions described above, we considered items 04-01 and 03-02 to be material weaknesses.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with the Village Clerk and Mayor, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended for the use of management, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by Village of Sicily Island, Louisiana, is a matter of public record.

Stuart Simmons, L.P.

Natchez, Mississippi

September 16, 2004