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**Town of Sibley
Sibley, Louisiana
Financial Statement with Auditors' Report
As of and For the Year Ended June 30, 2004**

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 3/9/05

Town of Sibley
Sibley, Louisiana

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Sibley, Louisiana

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Independent Auditors' Report

The Honorable Larry Merritt, Mayor
and Members of the Town Council
Town of Sibley
Sibley, Louisiana

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sibley, 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 Sibley's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 opinion.

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, each major fund, and the aggregate remaining fund information of the Town of Sibley, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2004 on our consideration of the Town of Sibley'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.

As described in Note 1, the Town 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.

The management's discussion and analysis and budgetary comparison information on pages 3-10 and on pages 41-42, 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 made for the purpose of forming an opinion on the financial statements taken as whole. The accompanying financial information listed as supporting schedules in the table of contents and shown on pages 43 - 46 is presented for purposes of additional analysis and is not a required part of the financial statements of the Town of Sibley. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



Cook & Morehart
Certified Public Accountants
December 10, 2004

TOWN OF SIBLEY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Sibley's financial performance provides an overview of the Town of Sibley's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the Town's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The Town of Sibley's net assets of our governmental activities increased by \$33,973 or 6%. The Town of Sibley's net assets of our business-type activities were virtually unchanged from a year ago.
- In the Town's governmental activities, total general and program revenues were \$360,767 in 2004 compared to \$364,497 in 2003. Total expenses, excluding depreciation, totaled \$294,632 for the year ended June 30, 2004.
- In the Town's business-type activities, revenues increased by \$102,754, while expenses increased by \$24,654.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 11 and 12) provide information about the activities of the Town of Sibley as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town of Sibley's operations in more detail than the government-wide statements by providing information about the Town of Sibley's most significant funds.

Reporting the Town of Sibley as a Whole

Our analysis of the Town of Sibley as a whole begins on page 11. One of the most important questions asked about the Town of Sibley's finances is "Is the Town of Sibley as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the funds maintained by the Town of Sibley as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town of Sibley's *net assets* and changes in them. You can think of the Town of Sibley's net assets – the difference between assets and liabilities – as one way to measure the Town of Sibley's financial health, or *financial position*. Over time, *increases* or *decreases* in the Town of Sibley's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base, to assess the overall health of the Town.

In the *Statement of Net Assets* and the *Statement of Activities*, we divide the Town into two kinds of activities:

Governmental activities – Most of the Town's basic services are reported here, including the police, fire, public works, and general administration. Property taxes, franchise fees, sales taxes, and police department fines, and various other revenues finance most of these activities.

Business-type activities – The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water and sewer system are reported here.

Reporting the Town's Most Significant Funds

Our analysis of the major funds maintained by the Town of Sibley begins on page 13. The fund financial statements begin on page 13 and provide detailed information about the most significant funds maintained by the Town of Sibley – not the Town of Sibley as a whole. The Town of Sibley's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

Governmental funds – Most of the Town of Sibley's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Town of Sibley's general government operations and the expenses paid from those funds. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance certain Town of Sibley expenses. We describe the relationship (or differences) between governmental *activities* (reported in the *Statement of Net Assets* and the *Statement of Activities*) and governmental *funds* in a reconciliation following the fund financial statements.

Proprietary funds – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Assets* and the *Statement of Activities*. In fact, the Town's enterprise funds (a component of proprietary funds) are

the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE TOWN OF SIBLEY AS A WHOLE

The Town of Sibley's combined net assets changed from a year ago, increasing from \$2,229,251 to \$2,263,921. The June 30, 2004, year was the first period that GASB Statement 34 was applied. The Town of Sibley was not required to restate the prior periods for purposes of providing comparative data. However, our analysis below will focus on key elements of the total governmental and proprietary funds for the June 30, 2004 year. In future years, when prior year information is available, a comparative analysis of the funds maintained by the Town of Sibley will be presented.

Table 1
Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total 2004
Current and other assets	\$ 309,651	\$ 201,182	\$ 510,833
Capital assets	<u>443,135</u>	<u>1,993,576</u>	<u>2,436,711</u>
Total assets	<u>752,786</u>	<u>2,194,758</u>	<u>2,947,544</u>
Current liabilities	5,546	23,149	28,695
Long-term liabilities	<u>131,956</u>	<u>522,972</u>	<u>654,928</u>
Total liabilities	<u>137,502</u>	<u>546,121</u>	<u>683,623</u>
Net assets:			
Investments in capital assets, net of related debt	311,179	1,502,661	1,813,840
Restricted	71,633	145,976	217,609
Unrestricted	<u>232,472</u>	<u>-</u>	<u>232,472</u>
Total net assets	<u>\$ 615,284</u>	<u>\$ 1,648,637</u>	<u>\$ 2,263,921</u>

Net assets of the Town of Sibley's governmental activities increased by \$33,973 or 6%. Net assets of the Town of Sibley's business-type activities were virtually unchanged from a year ago, increasing by \$697.

Table 2
Change in Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total 2004
Revenues			
Program revenues			
Charges for services	\$ 44,693	\$ 234,439	\$ 279,132
Operating grants and contributions	32,944	-	32,944
Capital grants and contributions	-	95,401	95,401
General revenues			
Ad valorem taxes	46,098	-	46,098
Sales taxes	155,494	-	155,494
Fire insurance rebate	5,573	-	5,573
Licenses and permits	59,803	-	59,803
Investment earnings	1,731	2,173	3,904
Miscellaneous	14,431	-	14,431
Total revenues	<u>360,767</u>	<u>332,013</u>	<u>692,780</u>
Expenses			
General government	120,545	-	120,545
Public safety	123,760	-	123,760
Public works	32,517	-	32,517
Health and welfare	37,507	-	37,507
Interest on long-term debt	12,465	-	12,465
Water	-	153,573	153,573
Sewer	-	177,743	177,743
Total expenses	<u>326,794</u>	<u>331,316</u>	<u>658,110</u>
Increases in net assets	<u>\$ 33,973</u>	<u>\$ 697</u>	<u>\$ 34,670</u>

The Town's total revenues increased by 17% (\$99,024). The total cost of all programs and services increased 4% (\$23,113). Our analysis below separately considers the operations of the governmental and business-type activities.

Governmental Activities

Total revenues for the governmental activities were virtually unchanged from a year ago, decreasing \$3,730 from total revenues in the year ended June 30, 2003 of \$364,497 to total revenues of \$360,767 in the year ended June 30, 2004.

The cost of all governmental activities this year was \$326,794. These costs were covered by \$77,637 of program revenues, with the remaining costs covered by property taxes, sales taxes, and other general revenues.

Business-type Activities

Total revenues for the business-type activities increased \$102,754 (45%) from total revenues in the year ended June 30, 2003 of \$229,259 to total revenues of \$332,013 in the year ended June 30, 2004. The primary reason for the increase was receipt of a LCDBG grant for improvements to the sewer system.

The cost of all business-type activities this year was \$331,316. These costs were covered by \$329,840 of program revenues, consisting of charges for services assessed to users, with the remaining costs covered by investment earnings.

THE TOWN'S FUNDS

As the Town completed the year, its governmental funds (as presented in the balance sheet on page 13) reported a *combined* fund balance of \$304,105, which is lower than last year's fund balance, as restated, of \$338,190. The primary reason for the deficit is a decrease in fines and forfeitures revenue.

General Fund Budgetary Highlights

The Town adopted a budget for its General Fund for the year ended June 30, 2004. There was (1) one amendment to the budget during the year. The Town's budgetary comparison is presented as required supplementary information and shown on page 41. Highlights for the year are as follows:

- Funds were received from Webster Parish School Board for asbestos removal.

- Fines and forfeitures revenue decreased by \$40,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2004, the Town of Sibley had invested \$2,436,711 in capital assets. (see table 3 below)

Table 3
Capital Assets At Year End
(Net of Depreciation)

	Governmental Activities 2004	Business-type Activities 2004	Total 2004
Land	\$ 44,007	\$ 24,488	\$ 68,495
Buildings	237,434	-	237,434
Infrastructure	56,473	-	56,473
Furniture, equipment, & vehicles	96,318	-	96,318
Fire department equipment & vehicles	171,500	-	171,500
Sewer system	-	2,128,325	2,128,325
Water system	-	1,075,328	1,075,328
Total assets	<u>\$ 605,732</u>	<u>\$3,228,141</u>	<u>\$ 3,833,873</u>

This year's major additions included:

Sewer system improvements	\$ -	\$ 95,401	\$ 95,401
Vehicles (2)	16,650	-	16,650
Street improvements	<u>56,473</u>	<u>-</u>	<u>56,473</u>
Total	<u>\$ 73,123</u>	<u>\$ 95,401</u>	<u>\$ 168,524</u>

More detailed information about the capital assets are presented in Note 8 to the financial statements.

Debt

At year-end, the Town had \$622,872 in bonds and notes outstanding, versus \$658,771 last year – a decrease of 5%.

Table 4
Outstanding Debt At Year End

	Governmental Activities 2004	Business-type Activities 2004	Total 2004
General obligation bonds – sewer	\$ 64,000	\$ –	\$ 64,000
Sewer revenue refunding bonds	–	490,915	490,915
Note payable to a bank	<u>67,956</u>	<u>–</u>	<u>67,956</u>
Totals	<u>\$ 131,956</u>	<u>\$ 490,915</u>	<u>\$ 622,871</u>

State law restricts the amount of debt that the Town of Sibley may issue. The aggregate principal amount of debt may not exceed 10% of the assessed valuation for property tax purposes of all real and personal property located within the parish. The Town of Sibley's total debt outstanding at year-end was well below this limitation.

More detailed information about the debt are presented in Note 13 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Town of Sibley's management considered many factors when setting a fiscal year June 30, 2005 budget. Amounts available for appropriation in the governmental funds are expected to remain substantially the same except for a FEMA grant of approximately \$135,000 for purchase of a fire truck.

Expenditures for 2005 are expected to remain substantially the same except for a FEMA grant of approximately \$135,000 for purchase of a fire truck.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the finances for those funds maintained by the Town of Sibley and to show the Town of Sibley's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Mayor at P.O. Box 128, Sibley, LA 71073.

Town of Sibley
Sibley, Louisiana
Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 218,997	\$ 108,879	\$ 327,876
Investments	45,123	19,736	64,859
Receivables	15,911	19,111	35,022
Internal balances	29,620	(29,620)	
Restricted assets:			
Cash and cash equivalents		64,022	64,022
Deferred bond issuance costs		19,054	19,054
Capital assets, net	443,135	1,993,576	2,436,711
Total assets	<u>752,786</u>	<u>2,194,758</u>	<u>2,947,544</u>
Liabilities			
Accounts payable and accrued expenses	5,546	11,798	17,344
Payable from restricted assets:			
Revenue bonds - due within one year		9,276	9,276
Accrued interest		2,075	2,075
Customer deposits		41,333	41,333
Non-current liabilities:			
Due within one year	21,464		21,464
Due in more than one year	110,492	481,639	592,131
Total liabilities	<u>137,502</u>	<u>546,121</u>	<u>683,623</u>
Net Assets			
Invested in capital assets, net of related debt	311,179	1,502,661	1,813,840
Restricted for:			
Debt Service	44,595	22,689	67,284
Public Safety	17,788		17,788
Public Works	9,250		9,250
Water Utility		103,302	103,302
Sewer Utility		19,985	19,985
Unrestricted	232,472		232,472
Total net assets	<u>\$ 615,284</u>	<u>\$ 1,648,637</u>	<u>\$ 2,263,921</u>

See accompanying notes to the basic financial statements.

Town of Sibley
Sibley, 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
Expenses						
Governmental Activities						
General government	\$ 120,545	\$ -	\$ -	\$ (120,545)	\$ -	\$ (120,545)
Public safety	123,760	44,693		(79,067)		(79,067)
Public works	32,517			(32,517)		(32,517)
Health and welfare	37,507	32,944		(4,563)		(4,563)
Interest on long-term debt	12,465			(12,465)		(12,465)
Total governmental activities	326,794	32,944		(249,157)		(249,157)
Business-type Activities						
Water	153,573				(28,043)	(28,043)
Sewer	177,743		95,401		26,567	26,567
Total business-type activities	331,316		95,401		(1,476)	(1,476)
Total Government	\$ 658,110	\$ 32,944	\$ 95,401	\$ (249,157)	\$ (1,476)	\$ (250,633)
General revenues:						
Ad valorem taxes				46,098		46,098
Sales taxes				155,494		155,494
Fire insurance rebate				5,573		5,573
Licenses and permits				59,803		59,803
Investment earnings				1,731	2,173	3,904
Miscellaneous				14,431		14,431
Total general revenues				283,130	2,173	285,303
Change in net assets				33,973	697	34,670
Net assets - beginning				581,311	1,647,940	2,229,251
Net assets - ending				\$ 615,284	\$ 1,648,637	\$ 2,263,921

See accompanying notes to the basic financial statements.

Town of Sibley
Sibley, Louisiana
Balance Sheet
Governmental Funds
June 30, 2004

	General	Sales Tax	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 92,604	\$ 45,681	\$ 80,712	\$ 218,997
Investments	22,478		22,645	45,123
Receivables		15,911		15,911
Due from other fund	16,902	13,620	4,910	35,432
Total assets	\$ 131,984	\$ 75,212	\$ 108,267	\$ 315,463
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 5,122	\$ 339	\$ 85	\$ 5,546
Due to other fund	1,942	3,721	149	5,812
Total liabilities	7,064	4,060	234	11,358
Fund balances:				
Reserved - debt service			44,595	44,595
Unreserved	124,920	71,152		196,072
Unreserved, reported in nonmajor:				
Special revenue funds			63,438	63,438
Total fund balances	124,920	71,152	108,033	304,105
Total liabilities and fund balances	\$ 131,984	\$ 75,212	\$ 108,267	\$ 315,463

See accompanying notes to the basic financial statements.

Town of Sibley
Sibley, Louisiana
*Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2004*

Fund balances - total governmental funds	\$	304,105
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	443,135
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Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(131,956)</u>
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Net assets of governmental activities	<u>\$</u>	<u>615,284</u>
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See accompanying notes to the basic financial statements.

Town of Sibley
Sibley, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004

	General	Sales Tax	Other Governmental Funds	Total Governmental Funds
Revenues:				
Ad valorem taxes	\$ 20,180	\$	\$ 25,918	\$ 46,098
Sales tax		155,494		155,494
Licenses and permits	59,803			59,803
Intergovernmental revenues	32,944	2,846	5,573	41,363
Fines and forfeitures	44,693			44,693
Investment earnings	948	261	522	1,731
Miscellaneous	11,585			11,585
Total revenues	<u>170,153</u>	<u>158,601</u>	<u>32,013</u>	<u>360,767</u>
Expenditures:				
Current:				
General government	110,275			110,275
Public safety	84,817		19,404	104,221
Public works		30,164		30,164
Health and welfare	37,507			37,507
Capital outlay	15,150	56,473	1,500	73,123
Debt service:				
Principal retirement	7,302	8,795	11,000	27,097
Interest and other charges	515	4,811	7,139	12,465
Total expenditures	<u>255,566</u>	<u>100,243</u>	<u>39,043</u>	<u>394,852</u>
Excess (deficiency) of revenues over expenditures	<u>(85,413)</u>	<u>58,358</u>	<u>(7,030)</u>	<u>(34,085)</u>
Other financing sources (uses):				
Transfers in	56,914		37,943	94,857
Transfers out		(94,857)		(94,857)
Total other financing sources (uses)	<u>56,914</u>	<u>(94,857)</u>	<u>37,943</u>	<u></u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(28,499)</u>	<u>(36,499)</u>	<u>30,913</u>	<u>(34,085)</u>
Fund balances at beginning of year, restated	<u>153,419</u>	<u>107,651</u>	<u>77,120</u>	<u>338,190</u>
Fund balances at end of year	<u>\$ 124,920</u>	<u>\$ 71,152</u>	<u>\$ 108,033</u>	<u>\$ 304,105</u>

See accompanying notes to the basic financial statements.

Town of Sibley
 Sibley, 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 balances - total governmental funds	\$	(34,085)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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 (\$73,123) exceeded depreciation (\$32,162) in the current period.</p>		
		40,961
<p>The repayment of principal of long-term debt consumes current financial resources of governmental funds.</p>		
		27,097
Change in net assets of governmental activities	\$	33,973

See accompanying notes to the basic financial statements.

Town of Sibley
Sibley, Louisiana
Balance Sheet
Proprietary Funds
June 30, 2004

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Totals
Assets			
Current assets:			
Cash and cash equivalents	\$ 68,133	\$ 40,746	\$ 108,879
Investments	19,736		19,736
Receivables	10,142	8,969	19,111
Due from other fund	9,790		9,790
Total current assets	107,801	49,715	157,516
Noncurrent assets:			
Restricted cash and cash equivalents	41,333	22,689	64,022
Deferred bond issuance costs		19,054	19,054
Capital assets:			
Land	1,299	23,189	24,488
Plant and equipment	1,075,327	2,128,326	3,203,653
Less: accumulated depreciation	(507,910)	(726,655)	(1,234,565)
Total noncurrent assets	610,049	1,466,603	2,076,652
Total assets	\$ 717,850	\$ 1,516,318	\$ 2,234,168
Liabilities			
Current liabilities:			
Accounts payable	\$ 3,499	\$ 8,299	\$ 11,798
Due to other fund	1,000	38,410	39,410
Payable from restricted assets:			
Revenue bonds		9,276	9,276
Accrued interest		2,075	2,075
Total current liabilities	4,499	58,060	62,559
Noncurrent liabilities:			
Payable from restricted assets:			
Customer deposits	41,333		41,333
Revenue bonds		481,639	481,639
Total noncurrent liabilities	41,333	481,639	522,972
Total liabilities	45,832	539,699	585,531
Net assets			
Invested in capital assets, net of related debt	568,716	933,945	1,502,661
Restricted for debt service		22,689	22,689
Unrestricted	103,302	19,985	123,287
Total net assets	672,018	976,619	1,648,637
Total liabilities and net assets	\$ 717,850	\$ 1,516,318	\$ 2,234,168

See accompanying notes to the basic financial statements.

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

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Totals
Operating revenues:			
Charges for service -			
Water sales	\$ 118,804	\$	\$ 118,804
Sewerage service charges		105,185	105,185
Other charges and fees	6,726	3,724	10,450
Total operating revenues	125,530	108,909	234,439
Operating expenses:			
Salaries	36,941	18,802	55,743
Payroll taxes	3,039	1,188	4,227
Employee benefits	3,215	4,328	7,543
Contract labor	100	3,582	3,682
Insurance - general	9,221	4,268	13,489
Lab fees		2,380	2,380
Maintenance and repairs	26,051	22,289	48,340
Miscellaneous expenses	1,643	563	2,206
Office expense	4,292	1,354	5,646
Materials and supplies	26,277	8,681	34,958
Uniforms	567	435	1,002
Utilities	15,963	17,637	33,600
Depreciation	26,264	65,294	91,558
Total operating expenses	153,573	150,801	304,374
Operating income (loss)	(28,043)	(41,892)	(69,935)
Non-operating revenues (expenses):			
Interest income	1,543	630	2,173
Interest expense		(26,942)	(26,942)
Total non-operating revenues (expenses)	1,543	(26,312)	(24,769)
Net income before contributions	(26,500)	(68,204)	(94,704)
Capital contributions		95,401	95,401
Change in net assets	(26,500)	27,197	697
Net assets - beginning of year	698,518	949,422	1,647,940
Net assets - end of year	\$ 672,018	\$ 976,619	\$ 1,648,637

See accompanying notes to the basic financial statements.

Town of Sibley
Sibley, Louisiana
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Totals
Cash Flows From Operating Activities			
Receipts from customers	\$ 126,031	\$ 109,292	\$ 235,323
Cash payments to suppliers for goods and services	(85,676)	(57,024)	(142,700)
Cash payments to employees for services	(43,195)	(24,318)	(67,513)
Internal activity - payments to other funds		(11,848)	(11,848)
Other receipts (payments)	1,891	908	2,799
Net Cash From (used in) Operating Activities	<u>(949)</u>	<u>17,010</u>	<u>16,061</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition/construction of capital assets		(95,401)	(95,401)
Capital contributions		95,401	95,401
Principal paid on capital debt		(8,802)	(8,802)
Interest paid on capital debt		(26,942)	(26,942)
Net Cash (used in) Capital and Related Financing Activities		<u>(35,744)</u>	<u>(35,744)</u>
Cash Flow From Investing Activities			
Interest income	1,530	630	2,160
Net Cash From Investing Activities	<u>1,530</u>	<u>630</u>	<u>2,160</u>
Net increase (decrease) in cash and cash equivalents	581	(18,104)	(17,523)
Cash, Beginning of year	<u>108,885</u>	<u>81,111</u>	<u>189,996</u>
Cash, End of year	<u>\$ 109,466</u>	<u>\$ 63,007</u>	<u>\$ 172,473</u>
Reconciliation of Operating Loss to Net Cash Provided			
By/(Used In) Operating Activities			
Operating income (loss)	\$ (28,043)	\$ (41,892)	\$ (69,935)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities			
Depreciation expense	26,264	65,294	91,558
Amortization		908	908
Accounts receivable	501	383	884
Accounts payable	(1,562)	4,165	2,603
Due to other funds		(11,848)	(11,848)
Customer deposits	1,192		1,192
Loss on disposal of capital assets	699		699
Net Cash Flows From Operating Activities	<u>\$ (949)</u>	<u>\$ 17,010</u>	<u>\$ 16,061</u>

See accompanying notes to the basic financial statements.

Town of Sibley
Sibley, Louisiana
Notes to Financial Statements
June 30, 2004

INTRODUCTION

The Town of Sibley is incorporated under the provisions of the Lawrason Act. The Town operates under a Mayor–Council form of government.

(1) Summary of Significant Accounting Policies

The Town of Sibley's financial statements are prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town of Sibley are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain significant changes in the Statement include the following:

For the first time the financial statements include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Town of Sibley's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Town of Sibley's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Town of Sibley has elected to implement the general provisions of the Statement in the current year.

A. Reporting Entity

As the municipal governing authority, for reporting purposes, the Town of Sibley is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (the Town of Sibley), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the Town of Sibley are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

(Continued)

Town of Sibley
Sibley, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

GASB Statement No. 14, as amended by GASB Statement No. 39, established criteria for determining which component units should be considered part of the Town of Sibley for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. *The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:*

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

In addition, the GASB 39 states that a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if *all* of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government is entitled to, or has the ability to otherwise access, a majority of the *economic resources received or held by the separate organization.*
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

In addition, other organizations should be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government.

Based on the criteria described above, there are no component units to be included as part of the reporting entity.

(Continued)

Town of Sibley
Sibley, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

B. Basic Financial Statements – Government-Wide Statements

The Town of Sibley's basic financial statements include both government-wide (reporting the funds maintained by the Town of Sibley as a whole) and fund financial statements (reporting the Town of Sibley's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's sales tax fund, fire protection fund, debt service fund, and general fund are classified as governmental activities. The Town's water and sewer services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental activities and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables, as well as long-term debt and obligations. The Town of Sibley's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town of Sibley's functions. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. 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. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 the proprietary fund's principal ongoing operations of providing water and sewer services.

The net costs (by function) are normally covered by general revenue (property, sales and use taxes, certain intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the Town of Sibley as an entity and the change in the Town of Sibley's net assets resulting from the current year's activities.

(Continued)

Town of Sibley
Sibley, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Town of Sibley are recorded in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town of Sibley:

1. Governmental Funds – the focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town of Sibley:
 - a. General fund is the general operating fund of the Town of Sibley. It is used to account for all financial resources except those required to be accounted for in another fund.
 - b. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
 - c. Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.
2. Proprietary Funds – the focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:
 - a. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of fund category) for the determination of major funds.

The following major funds are presented in the fund financial statements:

(Continued)

Town of Sibley
Sibley, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

General Fund – accounts for all financial resources except those required to be accounted for in another fund.

Sales Tax Fund - accounts for the proceeds of sales taxes levied for fire department maintenance, maintenance of streets, capital construction, and other general purposes of the Town.

Water Fund – accounts for the provision of water services of the Town.

Sewer Fund - accounts for the provision of sewer services of the Town.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual: i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Budgets

The Town uses the following budget practices:

1. The Mayor and Town Council prepare a proposed budget.
2. After completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance.

(Continued)

Town of Sibley
Sibley, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

3. 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 Council.
4. All budgetary appropriations lapse at the end of each fiscal year.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts in the accompanying statements are as originally adopted, or as amended by the Council. There was one amendment to the budget for the year ended June 30, 2004.
6. The Town's fiscal year is June 30.

F. Cash, Cash Equivalents, and Investments

Cash includes amounts in petty cash, demand deposits, interest bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Investments are limited by R.S. 33:2955 and the Town's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

G. Deferred Bond Issuance Cost

In conjunction with the refunding of the Town's sewer revenue bonds, refinancing costs were incurred. These costs are amortized on a straight line basis over the term of the new bond issue. Included in interest expense for the year ended June 30, 2004 was amortization of \$908.

H. Capital Assets

Capital assets purchased or acquired with an original cost of \$1,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

(Continued)

Town of Sibley
Sibley, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

Buildings	20–45 years
Infrastructure	20 years
Furniture and equipment	5–20 years
Vehicles	4–10 years
Fire-fighting apparatus	15–35 years
Water and sewer systems	5 – 50 years

GASBS No. 34 requires the Town to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, bridges, traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is not required. The Town has elected to implement the general provisions of GASBS No. 34 in the current year.

I. Revenues

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 1 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. Sales tax revenues are recorded in the period in which the underlying exchange has occurred. Fines, forfeitures, licenses, and permits are recognized in the period they are collected. Interest income on demand and time deposits is recorded when earned. Federal and state grants are recorded when the Town is entitled to the funds.

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. *Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.* The Town's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Sales Taxes

On April 1, 1980, the electors of the Town authorized a 1% sales and use tax, proceeds of which may be used for any lawful corporate purpose of the Town, including making capital improvements (after paying the reasonable and necessary expenses of collecting and administering the tax). Town officials have designated 50% of the tax proceeds for General Fund operations and 50% for capital improvements.

(Continued)

Town of Sibley
Sibley, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

On October 24, 1987, the electors of the Town authorized an additional 1% sales and use tax, proceeds of which were dedicated as follows: 50% of income for fire department purchase and maintenance; 25% for streets and street construction, repair and maintenance; and 25% for capital construction, general fund or general administrative expenses. The effective date of this additional 1% sales tax was January 1, 1988.

L. **Compensated Absences**

The Town allows up to three weeks vacation depending upon years of service. No carryover or accrued vacation leave is allowed. Unused vacation time will be applied upon termination.

The Town allows up to twelve days per year of sick leave and employees can accumulate up to twenty four days depending upon years of service. Unused accumulated sick pay will not be paid upon separation of service.

As of June 30, 2004, employee leave benefits were determined to be immaterial and are therefore not recorded as a liability.

M. **Interfund Activity**

Interfund activity is reported as either loans, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

N. **Use of Estimates**

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

(Continued)

Town of Sibley
Sibley, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

O. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities in the statement of net assets. 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 related debt.

In the fund financial statements, governmental funds 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.

P. Bad Debts

The Town uses the direct charge-off method of accounting for uncollectible ad valorem taxes and water system receivables. Although this method is not in accordance with generally accepted accounting principles, the overall effect on the financial statements is immaterial.

Q. Capitalized Interest

The Town capitalizes net interest costs and interest earned as part of the cost of constructing various water and sewer projects when material.

R. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Water and Sewer Funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

S. Postretirement Benefits

The Town provides no postretirement benefits to its employees.

(Continued)

Town of Sibley
Sibley, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

(2) Change in Accounting Principles and Restatement of Fund Equity

A. Change in Accounting Principle

For the year ended June 30, 2004, the Town has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions"; GASB Statement No. 34, "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments"; GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues"; GASB Statement No. 37, "Basic Financial Statements and Management's Discussion Analysis 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".

B. Restatement of Fund Equity

The restatement due to the implementation of the above statements and interpretation had the following effects on fund equity of the Governmental funds of the Town as previously reported.

	General Fund	Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Fund balance, June 30, 2003	\$ 153,419	\$ 94,892	\$ 77,120	\$ 325,431
GASB Statement 33/36				
Adjustment—				
Sales taxes	—	12,759	—	12,759
Fund balance, June 30, 2003, restated	<u>153,419</u>	<u>107,651</u>	<u>77,120</u>	<u>338,190</u>
GASB 34				
Adjustment to Net Assets—				
Debt				(159,053)
Capital assets, net				<u>402,174</u>
Governmental Activities				
Net Assets, June 30, 2003				<u>\$ 581,311</u>

(Continued)

Town of Sibley
Sibley, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

(3) Ad Valorem Taxes

The distribution of the Town's levy (tax rate per \$1,000 assessed value) were as follows:

	Tax Roll
	<u>2003</u>
General Fund	7.23
Debt Service	<u>9.42</u>
	<u>16.65</u>

(4) Cash and Cash Equivalents

At June 30, 2004, the Town has cash and cash equivalents (bank balances) totaling \$391,898, of which \$64,022 is shown as a restricted asset.

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 Town has \$439,849 in deposits (collected bank balances). These deposits are secured from risk by \$119,062 of federal deposit insurance and \$320,787 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

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 that the fiscal agent has failed to pay deposited funds upon demand.

(5) Investments

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Town or its agent in the Town's name
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Town's name

(Continued)

Town of Sibley
 Sibley, Louisiana
 Notes to Financial Statements
 June 30, 2004
 (Continued)

3. Uninsured and unregistered, with securities, held by the counterpart, or by its trust department or agent but not in the Town's name

At June 30, 2004, the Town had investments totaling \$14,820 in Louisiana Asset Management Pool (LAMP). The investments are registered in the name of LAMP and are held in the custodial bank's trust account at the Federal Reserve. Because the investments are held by the custodian in the name of LAMP, the investments are considered Category 1 in applying the credit risk of GASB Codification Section 150.125. The market value of this particular type of investment is not materially different from its carrying amount.

At June 30, 2004, the Town had investments totaling \$50,039 in U.S. Government securities. The market value of this particular type of investment is not materially different from its carrying amount. The investment in U.S. Government Securities are registered in the name of the Town and are held in a brokerage account insured by the SIPC. These investments are considered category A in applying the credit risk of the Governmental Accounting Standards Board (GASB).

(6) Receivables

The following is a summary of receivables at June 30, 2004:

<u>Class of Receivable</u>		
Governmental activities –		
Sales taxes	\$	15,911
Business-type activities –		
Accounts receivable – water and sewer charges		<u>19,111</u>
Total	\$	<u><u>35,022</u></u>

(Continued)

Town of Sibley
Sibley, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

(7) **Restricted Assets – Proprietary Fund Type**

Restricted assets were applicable to the following at June 30, 2004:

	Enterprise Fund		Total
	Sewer	Water	
Customer deposits	\$ -	\$ 41,333	\$ 41,333
Bond and interest sinking fund	2,969	-	2,969
Bond reserve fund	8,767	-	8,767
Contingency fund	10,953	-	10,953
	\$ 22,689	\$ 41,333	\$ 64,022

Enterprise Fund – Sewer

Under the terms of the bond agreement-resolution, on outstanding Sewer Revenue Bonds, income and revenues derived from the operating of the Town's Sewer System are pledged in amounts sufficient for the payment of principal and interest on the bonds as they become due and payable, and are to be set aside into the following special funds:

Revenue Fund – All income and revenues derived or to be derived from the operation of the Sewer System shall be deposited promptly into the Revenue Fund. Current expenses of operating and maintaining the system shall be paid from the Revenue Fund.

Revenue Bond and Interest Sinking Fund – Each month, there shall be transferred from the Revenue Fund an amount equal to 1/12th of the principal and interest of the next maturing installment on the outstanding bonds into this fund.

Revenue Bond Reserve Fund – There shall be transferred from the Revenue Fund into this fund an amount equal to 5% of the payments into the Revenue Bond and Interest Sinking Fund until such time as there has been accumulated \$35,330. Such amounts may be used only for the payment of principal and interest on the outstanding bonds as to which there would otherwise be a default.

Contingency Fund – Funds will be transferred into this fund for the purpose of caring for depreciation, extensions, additions, improvements, and replacements necessary to properly operate the system. Also, funds may be used for the purpose of payment of bonds for which there is not sufficient money in the Bond and Interest Sinking Fund. The monthly transfer amount will be \$93 until completion and acceptance of the present sewer improvement program, then \$150 until the bonds have been paid in full at the year 2033.

For the year ended June 30, 2004 the Town was in compliance with the requirements for deposits into the reserve accounts.

(Continued)

Town of Sibley
Sibley, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

(8) Capital Assets

Capital asset activity for the year ended June 30, 2004, was as follows:

	<u>Balance at July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2004</u>
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 44,007	\$ -	\$ -	\$ 44,007
 Capital assets, being depreciated:				
Buildings	237,434	-	-	237,434
Infrastructure	-	56,473	-	56,473
Furniture, equipment, & vehicles	81,168	15,150	-	96,318
Fire department equipment & vehicles	<u>170,000</u>	<u>1,500</u>	<u>-</u>	<u>171,500</u>
Total capital assets, being depreciated, at historical cost	<u>488,602</u>	<u>73,123</u>	<u>-</u>	<u>561,725</u>
 Less accumulated depreciation:				
Buildings	(70,056)	(8,330)	-	(78,386)
Infrastructure	(-)	(2,353)	-	(2,353)
Furniture, equipment, & vehicles	(33,241)	(11,548)	-	(44,789)
Fire department equipment & vehicles	<u>(27,138)</u>	<u>(9,931)</u>	<u>-</u>	<u>(37,069)</u>
Total accumulated depreciation	<u>(130,435)</u>	<u>(32,162)</u>	<u>-</u>	<u>(162,597)</u>
 Total capital assets, being depreciated, net				
	<u>358,167</u>	<u>40,961</u>	<u>-</u>	<u>399,128</u>
 Governmental activities capital assets, net				
	<u>\$ 402,174</u>	<u>\$ 40,961</u>	<u>\$ -</u>	<u>\$ 443,135</u>

(Continued)

Town of Sibley
Sibley, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

	<u>Balance at July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2004</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 24,488	\$ -	\$ -	\$ 24,488
Capital assets, being depreciated:				
Sewer system	2,034,649	95,401	(1,725)	2,128,325
Water:				
Wells	67,363	-	(429)	66,934
Storage tanks	52,286	-	(23,995)	28,291
Treatment plant	114,321	-	-	114,321
Distribution system	824,948	-	-	824,948
Other equipment	59,681	-	(18,847)	40,834
Total capital assets, being depreciated, at historical cost	<u>3,153,248</u>	<u>95,401</u>	<u>(44,996)</u>	<u>3,203,653</u>
Less accumulated depreciation:				
Sewer system	(663,085)	(65,294)	1,725	(726,654)
Water:				
Wells	(66,588)	(516)	429	(66,675)
Storage tanks	(37,692)	(985)	23,296	(15,381)
Treatment plant	(73,445)	(3,464)	-	(76,909)
Distribution system	(288,040)	(20,084)	-	(308,124)
Other equipment	(58,454)	(1,215)	18,847	(40,822)
Total accumulated depreciation	<u>(1,187,304)</u>	<u>(91,558)</u>	<u>44,297</u>	<u>(1,234,565)</u>
 Total capital assets, being depreciated, net	 <u>1,965,944</u>	 <u>3,843</u>	 <u>(699)</u>	 <u>1,969,088</u>
 Business-type activities capital assets, net	 <u>\$ 1,990,432</u>	 <u>\$ 3,843</u>	 <u>\$ (699)</u>	 <u>\$ 1,993,576</u>

(Continued)

Town of Sibley
Sibley, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

Depreciation expense was charged to Governmental and Business-type Activities as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Public safety	\$ 19,539	\$ -	\$ 19,539
Public works	2,353	-	2,353
General government	10,270	-	10,270
Water	-	26,264	26,264
Sewer	-	65,294	65,294
Total	<u>\$ 32,162</u>	<u>\$ 91,558</u>	<u>\$ 123,720</u>

No prior accumulated depreciation was calculated on capital assets disposed of as of July 1, 2003, for purposes of GASB 34 conversion.

(9) Interfund Balances

Interfund balances at June 30, 2004 consisted of the following:

	<u>Due From Other Fund</u>	<u>Due To Other Fund</u>	<u>Net</u>
Governmental Funds:			
General	\$ 16,902	\$ 1,942	\$ 14,960
Sales tax	13,620	3,721	9,899
Non-major governmental	4,910	149	4,761
Total Governmental Funds	<u>35,432</u>	<u>5,812</u>	<u>29,620</u>
Enterprise Funds:			
Water	9,790	1,000	8,790
Sewer	-	38,410	(38,410)
Total Enterprise Funds	<u>9,790</u>	<u>39,410</u>	<u>(29,620)</u>
Total	<u>\$ 45,222</u>	<u>\$ 45,222</u>	<u>\$ -</u>

The interfund balances are the result of the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

(Continued)

Town of Sibley
Sibley, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

(10) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2004, consisted of the following:

<u>Class of Payable</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts	\$ 4,014	\$ 10,835	\$ 14,849
Payroll taxes	1,532	963	2,495
Total	<u>\$ 5,546</u>	<u>\$ 11,798</u>	<u>\$ 17,344</u>

(11) Customers' Deposits

Deposits held for customers that are currently active on the water system total \$41,333 at June 30, 2004.

(12) Interfund Transfers

Interfund transfers for the year ended June 30, 2004 consisted of the following:

	<u>Transfer To</u>	<u>Transfer From</u>
Governmental Funds:		
General	\$ 56,914	\$ -
Sales Tax	-	94,857
Non-major Governmental	37,943	-
	<u>\$ 94,857</u>	<u>\$ 94,857</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

(13) Subsequent Event

Subsequent to June 30, 2004, the previous Police Chief of the Town of Sibley plead guilty to felony theft. The theft was in regards to police tickets and collections of certain traffic fines.

(Continued)

Town of Sibley
Sibley, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

(14) Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
General Obligation					
Bonds – Sewer	\$ 75,000	\$ -	\$ (11,000)	\$ 64,000	\$ 12,000
Note Payable	76,751	-	(8,795)	67,956	9,464
Capital Lease	<u>7,302</u>	<u>-</u>	<u>(7,302)</u>	<u>-</u>	<u>-</u>
Total-Governmental Activities	<u>\$ 159,053</u>	<u>\$ -</u>	<u>\$ (27,097)</u>	<u>\$ 131,956</u>	<u>\$ 21,464</u>
Business-type Activities:					
Sewer Revenue					
Refunding Bonds	\$ 304,000	-	\$ (5,000)	\$ 299,000	\$ 6,000
Sewer Revenue Bonds	<u>195,718</u>	<u>-</u>	<u>(3,802)</u>	<u>191,916</u>	<u>3,276</u>
Total Business-type Activities	<u>\$ 499,718</u>	<u>\$ -</u>	<u>\$ (8,802)</u>	<u>\$ 490,916</u>	<u>\$ 9,276</u>

(Continued)

Town of Sibley
 Sibley, Louisiana
 Notes to Financial Statements
 June 30, 2004
 (Continued)

General Obligation Bonds –

\$158,000 Sewer System Bonds dated 8/1/88; due in annual installments of \$3,000 – \$15,000 through April 1, 2028; interest at 8.2% – 12%. The debt redemption is paid from the Debt Service Fund. At June 30, 2004, \$44,595 is available to service the General Obligation Bonds.

\$ 64,000

Note Payable –

Note payable to a bank, with interest at 6.5%, payable in monthly installments of \$1,143.00 including interest, final payment due August 10, 2010, secured by real estate owned by the Town.

\$ 67,956

Sewer Revenue Refunding Bonds –

\$312,000 sewer revenue bonds dated October 21, 2002; due in annual payments of approximately \$22,000 which includes principal and interest; interest rates of 4.00% to 5.70%; final payment due January 1, 2026.

\$ 299,000

\$220,000 Sewer System Revenue Bonds (Bond R-1, #92-02, \$200,000; Bond R-2, #92-03, \$20,000) dated 2/3/94; due in forty (40) consecutive annual payments, with the first payment (May '94) being for interest only, and, there after the payments shall be equal in amount and consist of fully amortized installments of principal and interest, interest at 5 1/8%

191,916

Total revenue bonds payable

\$ 490,916

Payments on general obligation bonds are made from debt service funds. Payments on the note payable are made from the sales tax fund.

The Sewer Revenue Bonds constitute special obligations of the Town solely secured by a lien on and pledge of the net revenues of the water and sewer system.

(Continued)

Town of Sibley
Sibley, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

Debt service requirements at June 30, 2004, were as follows:

Governmental Activities – General Obligation Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 12,000	\$ 5,586
2006	13,000	4,554
2007	14,000	3,423
2008	15,000	2,205
2009	500	900
2010–2014	2,500	3,825
2015–2019	2,500	2,700
2020–2024	2,500	1,575
2025–2029	2,000	450
	<u>\$ 64,000</u>	<u>\$ 25,218</u>

Governmental Activities – Note Payable

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 9,464	\$ 4,142
2006	10,098	3,509
2007	10,775	2,831
2008	11,496	2,111
2009	12,266	1,340
2010–2014	13,857	572
	<u>\$ 67,956</u>	<u>\$ 14,505</u>

(Continued)

Town of Sibley
Sibley, Louisiana
Notes to Financial Statements
June 30, 2004
(Continued)

Business-Type Activities – Sewer Revenue Refunding Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 6,000	\$ 16,062
2006	6,000	15,822
2007	6,000	15,582
2008	6,000	15,342
2009	7,000	15,102
2010–2014	37,000	70,962
2015–2019	49,000	60,078
2020–2024	62,000	45,021
2025–2029	81,000	25,422
2030–2034	<u>39,000</u>	<u>3,363</u>
	<u>\$ 299,000</u>	<u>\$ 282,756</u>

Business-Type Activities – Sewer Revenue Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 3,276	\$ 9,871
2006	3,444	9,703
2007	3,621	9,526
2008	3,806	9,341
2009	4,001	9,146
2010–2014	23,302	42,434
2015–2019	29,911	35,819
2020–2024	38,411	27,325
2025–2029	49,315	16,421
2030–2034	<u>32,829</u>	<u>3,533</u>
	<u>\$ 191,916</u>	<u>\$ 173,119</u>

(15) Risk Management

The Town purchases commercial insurance to provide workers compensation coverage and general liability and property insurance. There were no significant reductions in insurance coverage from the previous year.

(16) Commitments – Sewer Improvement Project

At June 30, 2004, the Town had entered into construction contracts totaling approximately \$405,154 for a sewer improvement project. Expenditures incurred under these contracts at June 30, 2004 were \$95,401. Funding for this project is provided by a LCDBG Public Facilities Program contract.

Town of Sibley
Sibley, Louisiana
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 19,350	\$ 19,350	\$ 20,180	\$ 830
Licenses and permits	59,000	59,000	59,803	803
Intergovernmental revenues		32,944	32,944	
Fines and forfeitures	80,000	40,000	44,693	4,693
Investment earnings	1,000	1,000	948	(52)
Miscellaneous	9,900	9,900	11,585	1,685
Total revenues	<u>169,250</u>	<u>162,194</u>	<u>170,153</u>	<u>7,959</u>
Expenditures:				
Current:				
General government	119,600	119,600	110,275	9,325
Public safety	111,575	111,575	84,817	26,758
Health and welfare			37,507	(37,507)
Capital outlay	95,100	88,044	15,150	72,894
Debt service:				
Principal retirement	15,600	15,600	7,302	8,298
Interest and other charges			515	(515)
Total expenditures	<u>341,875</u>	<u>334,819</u>	<u>255,566</u>	<u>79,253</u>
Excess (deficiency) of revenues over expenditures	<u>(172,625)</u>	<u>(172,625)</u>	<u>(85,413)</u>	<u>87,212</u>
Other financing sources (uses):				
Transfers in	50,625	50,625	56,914	6,289
Total other financing sources (uses)	<u>50,625</u>	<u>50,625</u>	<u>56,914</u>	<u>6,289</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(122,000)</u>	<u>(122,000)</u>	<u>(28,499)</u>	<u>93,501</u>
Fund balances at beginning of year	122,000	122,000	153,419	31,419
Fund balances at end of year	<u>\$</u>	<u>\$</u>	<u>\$ 124,920</u>	<u>\$ 124,920</u>

Town of Sibley
Sibley, Louisiana
Required Supplementary Information
Budgetary Comparison Schedule
Sales Tax Fund
For the Year Ended June 30, 2004

	Budgeted Amounts Original and Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues:			
Sales tax	\$ 135,000	\$ 155,494	\$ 20,494
Intergovernmental revenues	2,700	2,846	146
Investment earnings	1,000	261	(739)
Total revenues	<u>138,700</u>	<u>158,601</u>	<u>19,901</u>
Expenditures:			
Current:			
Public works	37,425	30,164	7,261
Capital outlay	83,300	56,473	26,827
Debt service:			
Principal retirement	13,600	8,795	4,805
Interest and other charges		4,811	(4,811)
Total expenditures	<u>134,325</u>	<u>100,243</u>	<u>34,082</u>
Excess (deficiency) of revenues over expenditures	<u>4,375</u>	<u>58,358</u>	<u>53,983</u>
Other financing sources (uses):			
Transfers out	(84,375)	(94,857)	(10,482)
Total other financing sources (uses)	<u>(84,375)</u>	<u>(94,857)</u>	<u>(10,482)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(80,000)	(36,499)	43,501
Fund balances at beginning of year, restated	<u>80,000</u>	<u>107,651</u>	<u>27,651</u>
Fund balances at end of year	<u>\$</u>	<u>\$ 71,152</u>	<u>\$ 71,152</u>

Town of Sibley
Sibley, Louisiana
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004

	Volunteer Fire Department	Debt Service	Total Other Governmental Funds
Assets			
Cash and cash equivalents	\$ 38,060	\$ 42,652	\$ 80,712
Investments	22,645		22,645
Due from other funds	2,967	1,943	4,910
Total assets	\$ 63,672	\$ 44,595	\$ 108,267
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 85	\$	\$ 85
Due to other fund	149		149
Total liabilities	234		234
Fund balances:			
Reserved - debt service		44,595	44,595
Unreserved, reported in nonmajor:			
Special revenue funds	63,438		63,438
Total fund balances	63,438	44,595	108,033
Total liabilities and fund balances	\$ 63,672	\$ 44,595	\$ 108,267

Town of Sibley
Sibley, Louisiana
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2004

	Volunteer Fire Department	Debt Service	Total Other Governmental Funds
Revenues:			
Ad valorem taxes	\$	\$ 25,918	\$ 25,918
Intergovernmental revenues	5,573		5,573
Investment earnings	274	248	522
Total revenues	<u>5,847</u>	<u>26,166</u>	<u>32,013</u>
Expenditures:			
Public safety	19,404		19,404
Capital Outlay	1,500		1,500
Debt service:			
Principal retirement		11,000	11,000
Interest and other charges		7,139	7,139
Total expenditures	<u>20,904</u>	<u>18,139</u>	<u>39,043</u>
Excess (deficiency) of revenues over expenditures	<u>(15,057)</u>	<u>8,027</u>	<u>(7,030)</u>
Other financing sources (uses):			
Transfers in	<u>37,943</u>		<u>37,943</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	22,886	8,027	30,913
Fund balances at beginning of year	<u>40,552</u>	<u>36,568</u>	<u>77,120</u>
Fund balances at end of year	<u>\$ 63,438</u>	<u>\$ 44,595</u>	<u>\$ 108,033</u>

Town of Sibley
 Sibley, Louisiana
 Schedule of Insurance in Force
 As of June 30, 2004

<u>Insurer</u>	<u>Expiration Date</u>	<u>Description</u>	<u>Coverage</u>	<u>Amount</u>
Louisiana Municipal Risk Management Agency	07-08-05	Automobile Liability Bodily injury, property damage		\$ 500,000
	07-03-05	Commercial General Liability Bodily injury, property damage Fire legal liability		500,000 50,000
100/500/100	09-13-05	Workmen's compensation		
	07-03-05	Law enforcement officers' comprehensive liability Personal		500,000
EMC Insurance Companies	07-18-05	Commercial property Buildings Business personal property Elevated water tanks		845,520 35,000 485,000
EMC Insurance Companies	04-20-05	Public Employee Coverage		50,000
Essex Insurance Company	07-08-05	Automobile Physical Damage		155,000
Hartford Steam Boiler Inspection and Insurance Company	07-18-05	Equipment Breakdown Coverage		294,400

Town of Sibley
Sibley, Louisiana
Schedule of Compensation Paid to Board Members
For the Year Ended June 30, 2004

Mayor - Larry Merritt	\$ 5,940
Alderman:	
Sherwood Akin	2,100
Marvin Wayne Bolton	2,100
Andy Fish	2,100
Leon Snyder	2,100
Lory White	2,100
	<hr/>
	\$ 16,440
	<hr/> <hr/>

COOK & MOREHART

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

Town of Sibley
Sibley, Louisiana

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sibley, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 10, 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 Town of Sibley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Sibley's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted one matter involving the internal control over financial reporting, which we have reported to the management of the Town of Sibley in a separate management letter dated December 10, 2004.

This report is intended solely for the information and use of management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Cook & Morehart
Certified Public Accountants
December 10, 2004

Town of Sibley
Sibley, Louisiana
Summary Schedule of Prior Year Audit Findings
Schedule For Louisiana Legislative Auditor
June 30, 2004

There were three findings related to state law and one management letter comment for the year ended June 30, 2003 audit:

#2003-1 Fixed Assets – No finding in June 30, 2004 audit

#2003-2 Local Government Budget Act – No finding in June 30, 2004 audit

#2003-3 Security for Deposits – No finding in June 30, 2004 audit

Management Letter Comment: – Accounts Receivable – Enterprise Fund

See repeat comment in June 30, 2003 audit.

Town of Sibley
Sibley, Louisiana
Corrective Action Plan For Current Year Audit Findings
Schedule For Louisiana Legislative Auditor
June 30, 2004

There was one management letter comment for the current year audit for the year ended June 30, 2004. Management's response to that comment is as follows:

(1) Accounts Receivable – Enterprise Fund

The Town Clerk will reconcile the activity from month to month for the accounts receivable trial balance accounting for all activity and changes during each month. This procedure began in September 2004.

COOK & MOREHART

Certified Public Accountants

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Management Letter

December 10, 2004

Town of Sibley
Sibley, Louisiana

We have audited the financial statements of Town of Sibley, for the year ended June 30, 2004, and have issued our report thereon dated December 10, 2004. In planning and performing our audit of the financial statements of Town of Sibley, we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

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

Comment #1: Accounts Receivable – Enterprise Fund

During our audit we noted that the accounts receivable and customer deposit subsidiary trial balance was not reconciled month to month.

We recommend the Town Clerk reconcile the activity from month to month for the accounts receivable and customer deposit trial balance accounting for all activity and changes during each month.

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



Cook & Morehart
Certified Public Accountants