

TOWN OF SAREPTA, LOUISIANA
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

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 1-11-2006



TOWN OF SAREPTA, LOUISIANA
Financial Statements
And Independent Auditor's Reports
As of and for the Year Ended June 30, 2005

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TOWN OF SAREPTA, LOUISIANA
Financial Statements
And Independent Auditor's Reports
As of and for the Year Ended June 30, 2005

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INDEPENDENT AUDITOR'S REPORT



Certified Public Accountants • Management Consultants • Business Advisors

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sarepta, Louisiana, as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Sarepta, Louisiana's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sarepta, Louisiana, as of June 30, 2005, 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 9, 2005, on our consideration of the Town of Sarepta, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information listed as Required Supplemental Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of

management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Smith Pugh & Company, LLP

Smith, Pugh & Company, LLP
Certified Public Accountants
Shreveport, Louisiana
December 9, 2005

REQUIRED SUPPLEMENTARY INFORMATION – PART I
MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Sarepta

Mayor
E. L. Edwards

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Chief of Police
Mack Garrett

Aldermen
Anthony Mullins
Dan Heckendorn
Jeff Franklin
Michael Corley
Wiley Corley

Town Clerk
Cheryle Robertson

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Town of Sarepta, Louisiana's (hereafter referred to as "Town") annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year that ended on June 30, 2005. Please read it in conjunction with the Town's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The Town experienced a decrease in its Net Assets by 3.62% (\$34,164) during the fiscal year ended June 30, 2005. As of June 30, 2005, the assets of the Town exceeded its liabilities by \$909,116. Of this amount \$257,359 (28.31%) is reported as "unrestricted net assets" and represents the amount available to be used to meet the Town's ongoing obligations to the citizens of Sarepta, Louisiana. Net assets of the governmental activities decreased by \$2,745 (.67%), while net assets of the business-type activities decreased \$31,419 (5.92%).

As of the close of the fiscal year 2005, the Town's governmental fund reported an ending fund balance of \$176,303, a decrease of \$9,752 (5.15%).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

FINANCIAL ANALYSIS OF GOVERNMENT-WIDE ACTIVITIES

Net Assets

Net assets may serve over time as a useful indicator of the Town's financial position. The Town's combined net assets (governmental and business-type activities) totaled \$909,116 and \$ 943,280 as of June 30, 2005 and 2004 respectively, a decrease of \$34,164 (3.62%).

As of June 30, 2005, \$600,856 (66.09%) of the Town's net assets reflects the Town's investment in capital assets such as land, buildings, equipment, and sewer improvements, less any related debt used to acquire those assets that are still outstanding, compared to \$619,751 (65.70%) of the Town's net assets as of the close of the prior fiscal year. The Town uses these capital assets to provide services to the citizens of Sarepta; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of net assets, \$50,881 (5.60%) as of June 30, 2005 and \$47,789 (5.07%) as of June 30, 2004, is restricted by loan covenants for repayment of principal and interest on long-term debt.

The other portion of the Town's net assets, \$257,379 (28.31%) and \$275,740 (29.23%) as of June 30 2005 and 2004 respectively, is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors at the discretion of the mayor and council of Sarepta. The Town continues to maintain a high level of liquidity with \$242,129 (94.07%) of the unrestricted net assets of the Town consisting of cash, cash equivalents, and investments at June 30, 2005 compared to \$261,605 (94.87%) at June 30, 2004.

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Current Assets	\$ 180,689	\$ 191,289	\$ 144,618	\$ 152,923	\$ 325,307	\$ 344,212
Capital Assets	236,671	228,760	807,050	841,727	1,043,721	1,070,487
Total Assets	<u>417,360</u>	<u>420,049</u>	<u>951,668</u>	<u>994,650</u>	<u>1,369,028</u>	<u>1,414,699</u>
Long-term Liabilities Outstanding	2,954	1,870	441,244	447,998	444,198	449,868
Other Liabilities	4,386	5,414	11,328	16,137	15,714	21,551
Total Liabilities	<u>7,340</u>	<u>7,284</u>	<u>452,572</u>	<u>464,135</u>	<u>459,912</u>	<u>471,419</u>
Net Assets:						
Invested in Capital Assets-Net of Related Debt	236,671	228,760	364,185	390,991	600,856	619,751
Restricted	-	-	50,881	47,789	50,881	47,789
Unrestricted	173,349	184,005	84,030	91,735	257,379	275,740
Total Net Assets	<u>\$ 410,020</u>	<u>\$ 412,765</u>	<u>\$ 499,096</u>	<u>\$ 530,515</u>	<u>\$ 909,116</u>	<u>\$ 943,280</u>

Changes in Net Assets

The Town's net assets decreased by \$34,164 (3.62%) during the year ended June 30, 2005, primarily due to depreciation charged to capital assets.

Approximately 46.55% (\$137,836) of the Town's total revenues was derived through charges for services in 2005 compared to 35.93% (\$143,565) in 2004. During the year ended June 30, 2005, approximately 42.25% (\$125,107) was derived from general revenues including taxes, legal settlements, and interest compared to 48.90% (195,407) during 2004. The Town received \$ 33,172 (11.20%) and \$60,607 (15.17%) of its total revenues through program grants and contributions during 2005 and 2004, respectively.

The largest governmental activities expenses were for general government and public safety. In the fiscal years 2005 and 2004, governmental activities expenses exceeded program revenues resulting in the use of general revenues, mostly taxes, of \$122,514 and \$113,280, respectively. Net expenses from business-type activities exceeded revenues by \$36,757 in fiscal year 2005.

	Governmental		Business-type		Totals	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 72,052	\$ 79,351	\$ 65,784	\$ 64,214	\$ 137,836	\$ 143,565
Operating grants and contributions	750	2,240	-	-	750	2,240
Capital grants and contributions	26,620	5,710	5,802	52,657	32,422	58,367
General revenues:						
Taxes	117,634	121,296	-	-	117,634	121,296
Intergovernmental	4,800	-	-	-	4,800	-
Interest	852	1,036	1,068	414	1,920	1,450
Other	753	8,661	-	64,000	753	72,661
Total revenues	<u>223,461</u>	<u>218,294</u>	<u>72,654</u>	<u>181,285</u>	<u>296,115</u>	<u>399,579</u>
Expenses:						
General government	121,086	95,618	-	-	121,086	95,618
Public safety	69,860	63,645	-	-	69,860	63,645
Streets	16,598	13,913	-	-	16,598	13,913
Parks and recreation	14,392	27,405	-	-	14,392	27,405
Sewer	-	-	108,343	128,787	108,343	128,787
Total expenses	<u>221,936</u>	<u>200,581</u>	<u>108,343</u>	<u>128,787</u>	<u>330,279</u>	<u>329,368</u>
Increase (decrease) in net assets before transfers	1,525	17,713	(35,689)	52,498	(34,164)	70,211
Transfers	<u>(4,270)</u>	<u>2,813</u>	<u>4,270</u>	<u>(2,813)</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>(2,745)</u>	<u>20,526</u>	<u>(31,419)</u>	<u>49,685</u>	<u>(34,164)</u>	<u>70,211</u>
Net assets - beginning of year	<u>412,765</u>	<u>392,239</u>	<u>530,515</u>	<u>480,830</u>	<u>943,280</u>	<u>873,069</u>
Net assets - end of year	<u>\$ 410,020</u>	<u>\$ 412,765</u>	<u>\$ 499,096</u>	<u>\$ 530,515</u>	<u>\$ 909,116</u>	<u>\$ 943,280</u>

FINANCIAL ANALYSIS OF THE INDIVIDUAL FUNDS

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

Governmental Fund

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

As of the end of the current year, the Town's governmental fund, the General Fund, reported an ending fund balance of \$176,303, a decrease of \$9,572 (5.15%) compared to the prior year. The ending governmental fund balance is unreserved and available for spending in the coming year.

The General Fund is the chief operating fund of the Town. As a measure of the General Fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. Unreserved fund balance as of June 30, 2005, (\$176,303) represents 75.14% of the total General fund expenditures (\$234,635) for the year.

Proprietary Fund

The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. The Town's proprietary fund (Sewer Fund) reported operating expenses of \$87,292 during the year ended June 30, 2005 compared to \$105,471 for the prior year, which was \$21,508 and \$41,257 in excess of its operating revenues of \$65,784 and \$64,214, respectively. The Town's proprietary fund also reported a non-operating loss of \$14,181 which consisted primarily of interest expense of \$21,051 netted against non-operating income. The proprietary fund reported a decrease of \$31,419 (5.92%) in net assets in the fiscal year ended 2005.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

The Town's budgets were amended because:

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

Expenditures were \$16,935 more than the amount originally budgeted.

Revenues available for expenditure were \$20,083 above the final budgeted amounts.

CAPITAL ASSET ADMINISTRATION

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2005 totaled \$1,782,824, net of accumulated depreciation of \$739,103, leaving a book value of \$1,043,721. This investment in capital assets consists of land, buildings, equipment, and sewer improvements. The net increase in the Town's investment in capital assets for the current year was \$14,512 about 0.82% in terms of historical cost. Depreciation charges for the year totaled \$53,101 for 2005 compared to \$49,012 for the prior year.

DEBT ADMINISTRATION

At year end, the Town had \$442,865 in sewer revenue bonds outstanding, a decrease of \$7,871 (1.75%) compared to the prior year. Revenues derived or to be derived from the operation of the sewer system, after paying the reasonable and necessary expenses of operating and maintaining the system, are dedicated and pledged to the payment of the outstanding debt as set forth in the loan agreement. The Town is required to make monthly deposits into accounts restricted for the Bond Sinking Fund, the Bond Contingency Fund, and the Bond Reserve Fund as more fully described in Note 8.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following economic factors were considered when the budget for the fiscal year ended June 30, 2005 was prepared:

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

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF SAREPTA, LOUISIANA

Statement of Net Assets June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 102,163	\$ 44,966	\$ 147,129
Certificates of deposit	60,000	35,000	95,000
Receivables (net of allowance for uncollectible)	8,294	5,252	13,546
Prepaid expenses	10,232	1,773	12,005
Restricted:			
Cash and cash equivalents	-	57,627	57,627
Total current assets	180,689	144,618	325,307
Non-current assets:			
Capital assets (net of accumulated depreciation)	236,671	807,050	1,043,721
Total assets	417,360	951,668	1,369,028
<u>Liabilities and Fund Balances</u>			
Current liabilities:			
Accounts payable	4,386	2,931	7,317
Payable from restricted assets:			
Revenue bonds	-	8,258	8,258
Interest payable	-	139	139
Total current liabilities	4,386	11,328	15,714
Non-current liabilities:			
Customer deposits	-	6,637	6,637
Compensated absences	2,954	-	2,954
Bonds payable	-	434,607	434,607
Total non-current liabilities	2,954	441,244	444,198
Total liabilities	7,340	452,572	459,912
<u>Net Assets</u>			
Invested in capital assets, net of related debt	236,671	364,185	600,856
Restricted for debt service	-	50,881	50,881
Unrestricted	173,349	84,030	257,379
Total net assets	\$ 410,020	\$ 499,096	\$ 909,116

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

TOWN OF SAREPTA, LOUISIANA

Statement of Activities
For the Year Ended June 30, 2005

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
General government	\$ 121,086	\$ 32,043	\$ 750	\$ (88,293)	\$ -	\$ (88,293)
Public safety	69,860	22,945	-	(20,295)	-	(20,295)
Streets	16,598	-	-	(16,598)	-	(16,598)
Parks and recreation	14,392	17,064	-	2,672	-	2,672
Total governmental activities	<u>221,936</u>	<u>72,052</u>	<u>750</u>	<u>(122,514)</u>	<u>-</u>	<u>(122,514)</u>
Business-type activities:						
Sewer	108,343	65,784	-	-	(36,757)	(36,757)
Total Primary Government	<u>\$ 330,279</u>	<u>\$ 137,836</u>	<u>\$ 750</u>	<u>(122,514)</u>	<u>(36,757)</u>	<u>(159,271)</u>
General Revenues:						
Taxes-						
Property taxes levied for general purposes				54,912	-	54,912
Sales and use taxes levied for general purposes				42,722	-	42,722
Franchise taxes				20,000	-	20,000
Intergovernmental				4,800	-	4,800
Interest and investment earnings				852	1,068	1,920
Loss on sale of assets				(2,222)	-	(2,222)
Miscellaneous				2,975	-	2,975
Transfers				(4,270)	4,270	-
Total general revenues and transfers				<u>119,769</u>	<u>5,338</u>	<u>125,107</u>
Change in net assets				(2,745)	(31,419)	(34,164)
Net assets- beginning of year				412,765	530,515	943,280
Net assets - end of year				<u>\$ 410,020</u>	<u>\$ 499,096</u>	<u>\$ 909,116</u>

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

FUND FINANCIAL STATEMENTS

TOWN OF SAREPTA, LOUISIANA

Balance Sheet – Governmental Fund
June 30, 2005

	<u>General Fund</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 102,163
Certificates of deposit	60,000
Accounts receivable	8,294
Prepaid expenses	10,232
Total assets	<u>\$ 180,689</u>
<u>Liabilities</u>	
Accounts payable	\$ 4,386
Accrued payroll taxes	-
Total liabilities	<u>4,386</u>
<u>Fund Equity</u>	
Fund balances:	
Unreserved - undesignated	176,303
Total fund equity	<u>176,303</u>
Total liabilities and fund equity	<u>\$ 180,689</u>

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

TOWN OF SAREPTA, LOUISIANA

Reconciliation of Fund Balance on the Balance Sheet
For Governmental Fund to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2005

Fund Balance - total governmental fund \$ 176,303

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund:

Add - capital assets	\$ 325,491	
Deduct - accumulated depreciation	<u>(88,820)</u>	236,671

Some liabilities are not due and payable in the current period and therefore are not reported in the governmental fund. Those liabilities consist of:

Compensated absences	<u>(2,954)</u>
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Net assets of governmental activities \$ 410,020

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

TOWN OF SAREPTA, LOUISIANA

Statement of Revenues, Expenditures, and Changes In Fund Balance -- Governmental Fund For the Year Ended June 30, 2005

	<u>General Fund</u>
Revenues:	
Taxes:	
Ad valorem	\$ 54,912
Sales and use	42,722
Franchise	20,000
Licenses and permits	32,043
Fines and forfeitures	22,945
Intergovernmental:	
Federal grants:	
Law enforcement equipment	1,620
State funds:	
Law enforcement equipment	25,000
On-behalf payments	4,800
Interest	852
Parks and recreation	17,064
Contributions	750
Miscellaneous	2,975
Total revenues	<u>225,683</u>
Expenditures:	
General government	117,443
Public safety	61,722
Streets	16,203
Parks and recreation	13,261
Capital outlay	26,006
Total expenditures	<u>234,635</u>
Excess of Revenues Over Expenditures	<u>(8,952)</u>
Other financing sources (uses):	
Transfers to other funds	(4,270)
Sale of assets	3,650
Total other financing sources (uses)	<u>(620)</u>
Net Change in Fund Balance	(9,572)
Fund Balance - beginning of year	185,875
Fund Balance - at end of year	<u>\$ 176,303</u>

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

TOWN OF SAREPTA, LOUISIANA

Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance of
Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2005

Net Change in fund balance - governmental fund	\$ (9,572)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$26,006) exceeds depreciation (\$12,223) in the current period.	13,783
The net effect of other miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(5,872)
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 the governmental fund. This is the increase in the amount of liability for compensated absences.	<u>(1,084)</u>
Change in net assets - statement of activities	<u>\$ (2,745)</u>

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

TOWN OF SAREPTA, LOUISIANA

Statement of Net Assets Proprietary Fund June 30, 2005

<u>Assets</u>	<u>Sewer Fund</u>
Current assets:	
Cash and cash equivalents	\$ 44,966
Certificates of deposit	35,000
Receivables (net of allowance for uncollectible)	5,252
Prepaid expenses	1,773
Restricted:	
Cash and cash equivalents	<u>57,627</u>
Total current assets	<u>144,618</u>
Non-current assets:	
Capital assets (net of accumulated depreciation)	<u>807,050</u>
Total assets	<u>951,668</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	2,931
Payable from restricted assets:	
Revenue bonds	8,258
Interest Payable	<u>139</u>
Total current liabilities	<u>11,328</u>
Non-current liabilities:	
Customer deposits	6,637
Bonds Payable	<u>434,607</u>
Total non-current liabilities	<u>441,244</u>
Total liabilities	<u>452,572</u>
<u>Net Assets</u>	
Invested in capital assets, net of related debt	364,185
Restricted for debt service	50,881
Unrestricted	<u>84,030</u>
Total net assets	<u>\$ 499,096</u>

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

TOWN OF SAREPTA, LOUISIANA

Statement of Revenues, Expenses and Changes in Net Assets Proprietary Fund For the Year Ended June 30, 2005

	<u>Sewer Fund</u>
Operating Revenues:	
Charges for services:	
Sewer charges	<u>\$ 65,784</u>
Operating Expenses:	
Cost of sales and services	40,871
Administration	5,543
Depreciation	<u>40,878</u>
Total operating expenses	<u>87,292</u>
Operating income (loss)	<u>(21,508)</u>
Non-operating Revenues (Expenses):	
Interest earnings	1,068
Interest expense	(21,051)
Intergovernmental:	
State funds:	
<i>Facility Planning and Control</i>	<u>5,802</u>
Total non-operating revenues	<u>(14,181)</u>
Income Before Contributions and Transfers	(35,689)
Transfers from other funds	<u>4,270</u>
Change in Net Assets	(31,419)
Total Net Assets - beginning	<u>530,515</u>
Total Net Assets - ending	<u><u>\$ 499,096</u></u>

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

TOWN OF SAREPTA, LOUISIANA

Statement of Cash Flows Proprietary Fund For the Year Ended June 30, 2005

Cash Flows From Operating Activities:		
Receipts from customers and users	\$ 73,281	
Payments to suppliers	(30,450)	
Payments to employees	(20,455)	
Net Cash Provided by Operating Activities	<u>22,376</u>	
Cash Flows From Noncapital Financing Activities:		
Transfer from other funds	<u>4,270</u>	
Net Cash Provided by Noncapital Financing Activities	<u>4,270</u>	
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(6,201)	
Principal paid on capital debt	(7,871)	
Interest paid on capital debt	(21,051)	
Subsidy from state grant	<u>5,802</u>	
Net Cash Used by Capital and Related Financing Activities	<u>(29,321)</u>	
Cash Flows From Investing Activities:		
Interest received	<u>1,068</u>	
Net Cash Provided by Investing Activities	<u>1,068</u>	
Net Decrease in Cash and Cash Equivalents	(1,607)	
Cash and Cash Equivalents, Beginning of Year	<u>104,200</u>	
Cash and Cash Equivalents, End of Year	<u>\$ 102,593</u>	
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating loss	\$ (21,508)	
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	\$ 40,878	
Decrease in accounts receivable	7,497	
Increase in prepaid expense	(799)	
Increase in customer deposits	1,500	
Decrease in accrued interest payable	(191)	
Decrease in accounts payable	<u>(5,001)</u>	
Total adjustments	<u>43,884</u>	
Net Cash Provided by Operating Activities	<u>\$ 22,376</u>	
Noncash investing, capital, and financing activities	<u>None</u>	

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

TOWN OF SAREPTA

Notes to the Financial Statements
For the Year Ended June 30, 2005

Introduction:

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

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

The Town of Sarepta, Louisiana, complies with Generally Accepted Accounting Principles (GAAP). The Town's reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. GAAP as applicable to governments also conforms to the requirements of Louisiana R.S. 24:517 and the guides set forth in the *Louisiana Municipal Audit and Accounting Guide* and to the industry guide, *Audits of State and Local Government Units*, published by the American Institute of Certified Public Accountants.

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

1. Summary of Significant Accounting Policies:

Following is a summary of certain significant accounting policies:

- A. Reporting Entity – In evaluating the Town as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Town may be financially accountable and, as such, should be included within the Town's financial statements. The Town (primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Town. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There were no entities that were determined to be component units of the Town of Sarepta, Louisiana.
- B. Basis of Presentation - The accompanying basic financial statements of the Town have been prepared in conformity with governmental accounting principles generally accepted in the United States of America.

TOWN OF SAREPTA

Notes to the Financial Statements
For the Year Ended June 30, 2005

1. Summary of Significant Accounting Policies (Continued):

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

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

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

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

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

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

The General Fund is considered a major governmental fund of the Town.

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

Enterprise Fund – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing

TOWN OF SAREPTA

Notes to the Financial Statements
For the Year Ended June 30, 2005

1. Summary of Significant Accounting Policies (Continued):

C. Fund Accounting – (Continued)

body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town's enterprise fund is the Sewer Fund, which is considered a major fund.

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

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

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

The amounts reflected in the Governmental Fund Financial Statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred. The governmental funds use the following practices in recording revenues and expenditures:

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

Employees vested sick and vacation leave is recorded as expenditure when utilized. The amount of accumulated compensated absences unpaid at June 30, 2005, has been reported only in the government-wide financial statements.

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

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

TOWN OF SAREPTA

Notes to the Financial Statements
For the Year Ended June 30, 2005

1. Summary of Significant Accounting Policies (Continued):

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

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

Government-wide Financial Statements (GWFS)

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

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

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

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

TOWN OF SAREPTA

Notes to the Financial Statements
For the Year Ended June 30, 2005

1. Summary of Significant Accounting Policies (Continued):

- F. Receivables – In the government-wide financial statement, receivables consist of all revenues earned at year-end and not yet received. Major receivables for the governmental activities include franchise taxes and sales and use taxes. Business-type activities report customer’s sewer service charges as its major receivables. Uncollectible amounts due for ad valorem taxes and sewer charges are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. At June 30, 2004, an allowance for uncollectible receivables was considered unnecessary due to immateriality.
- G. Capital Assets – Capital assets which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, lighting, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost. Donated assets are recorded at their estimated fair value at the date of donation. The Town maintains the following threshold levels for capitalizing assets:

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

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

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

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

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

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

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

TOWN OF SAREPTA

Notes to the Financial Statements For the Year Ended June 30, 2005

1. Summary of Significant Accounting Policies (Continued):

H. Compensated Absences (Continued)

There was a total of \$739 of accumulated unpaid vacation as of June 30, 2005.

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

There was a total of \$2,215 of accumulated unpaid sick leave as of June 30, 2005.

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

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

- J. Prepaid Expenses – Payments made to vendors for services that will benefit periods beyond June 30, 2005 are recorded as prepaid expenses.
- K. Restricted Assets – Restricted assets include cash and cash equivalents of the proprietary fund that are legally restricted as to their use. The restricted assets are related to the revenue bond accounts and customer's sewer deposits.
- L. Long-term Debt – The accounting treatment of long-term debt depends upon whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

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

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

- M. Fund Equity – In the government-wide financial statements equity is classified as net assets and reported in three components:
- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds,

TOWN OF SAREPTA

Notes to the Financial Statements
For the Year Ended June 30, 2005

1. Summary of Significant Accounting Policies (Continued):

M. Fund Equity – (Continued)

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

b. Restricted net assets – Consists of net assets with constraints placed on the use by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net assets – Consists of all other assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

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

N. Encumbrances – The Town does not utilize encumbrance accounting. Management does not believe that the use of encumbrance accounting would provide any significant benefit for budgetary purposes.

O. Ad Valorem Taxes – Ad Valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 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.

N. 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.

2. Cash and Investments:

These deposits are stated at cost, which approximates market value. At June 30, 2005, the carrying amount of the Town’s deposits was \$299,756, and the collected bank balance was \$317,599. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The bank balances were fully protected by \$245,881 of federal depository insurance (GASB Category 1) and \$687,762 of pledged securities held by the custodial bank in the name of the fiscal agency bank (GASB Category 3).

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

TOWN OF SAREPTA

Notes to the Financial Statements
For the Year Ended June 30, 2005

2. Cash and Investments – (Continued):

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

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

Description	Category			Bank Balance	Market Value
	1	2	3		
Demand Deposit Accounts	\$ 50,881	\$ -	\$ 171,718	\$ 222,599	\$ 222,599
Time Deposit Accounts	95,000	-	-	95,000	95,000
Total cash and investments	<u>\$ 145,881</u>	<u>\$ -</u>	<u>\$ 171,718</u>	<u>\$ 317,599</u>	<u>\$ 317,599</u>

3. Property Taxes:

For the year ended June 30, 2005, taxes of 20.64 mills were levied on property with assessed valuations totaling \$2,638,230 and were dedicated as follows:

General alimony	6.65 mills
Sewer, streets, parks, and recreation	13.99 mills
Total ad valorem taxes levied were \$54,456.	

4. Receivables:

As of June 30, 2005, receivables consisted of the following:

	General Fund	Sewer Fund
Franchise taxes	\$ 4,409	\$ -
Sales and use taxes	3,480	-
Service charges	-	5,221
Interest	405	31
	<u>\$ 8,294</u>	<u>\$ 5,252</u>

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

TOWN OF SAREPTA

Notes to the Financial Statements
For the Year Ended June 30, 2005

5. Interfund Receivables, Payables:

There were no interfund receivables, payables for the year ended June 30, 2005.

6. Capital Assets:

Capital assets and depreciation activity as of and for the year ended June 30, 2005 for the Town is as follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 75,280	\$ -	\$ -	\$ 75,280
Capital assets being depreciated:				
Building and structures	163,612	-	-	163,612
Improvements other than buildings	7,296	-	-	7,296
Vehicles	38,588	26,006	(17,695)	46,899
Equipment - office and other	12,430	-	-	12,430
Playground & ball equipment	19,974	-	-	19,974
Total capital assets being depreciated	<u>241,900</u>	<u>26,006</u>	<u>(17,695)</u>	<u>250,211</u>
Less accumulated depreciation for:				
Building and structures	52,759	2,559	-	55,318
Improvements other than buildings	4,560	183	-	4,743
Vehicles	19,849	8,138	(11,823)	16,164
Equipment - office and other	6,350	395	-	6,745
Playground & ball equipment	4,902	948	-	5,850
Total accumulated depreciation	<u>88,420</u>	<u>12,223</u>	<u>(11,823)</u>	<u>88,820</u>
Total capital assets being depreciated, net	<u>153,480</u>	<u>13,783</u>	<u>(5,872)</u>	<u>161,391</u>
Total capital assets, net	<u>\$ 228,760</u>	<u>\$ 13,783</u>	<u>\$ (5,872)</u>	<u>\$ 236,671</u>

TOWN OF SAREPTA

Notes to the Financial Statements
For the Year Ended June 30, 2005

6. Capital Assets (Continued):

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 9,000	\$ -	\$ -	\$ 9,000
Capital assets being depreciated:				
Sewer plant	1,433,187	6,201	-	1,439,388
Vehicles	8,945	-	-	8,945
Total capital assets being depreciated	1,442,132	6,201	-	1,448,333
Less accumulated depreciation for:				
Sewer plant	607,083	39,179	-	646,262
Vehicles	2,322	1,699	-	4,021
Total accumulated depreciation	609,405	40,878	-	650,283
Total capital assets being depreciated, net	832,727	(34,677)	-	798,050
Total capital assets, net	\$ 841,727	\$ (34,677)	\$ -	\$ 807,050

Depreciation expense of \$12,223 for the year ended June 30, 2005, was charged to the following governmental functions:

General government	\$ 2,559
Public safety	8,138
Streets	395
Parks and recreation	1,131

7. Changes in Long-Term Debt:

The following is a summary of the long-term debt transactions for the year ended June 30, 2005:

	Business-type Activities	Governmental Activities	
	Revenue	Compensated	Total
	Bonds	Absences	
Long-term obligations at beginning of year	\$ 450,736	\$ 1,870	\$ 452,606
Additions	-	1,084	1,084
Deductions	(7,871)	-	(7,871)
Long-term obligations at end of year	\$ 442,865	\$ 2,954	\$ 445,819

TOWN OF SAREPTA

Notes to the Financial Statements
For the Year Ended June 30, 2005

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

Sewer revenue bond payable at June 30, 2005, is comprised of the following issue:

\$516,000, Sewer Revenue Bonds, one interest only payment due July 24, 2001, and \$2,425 due on the 24th day of each month August 2001 to July 2040; interest at 4.75%. \$ 442,865

The total annual requirements to amortize all debt outstanding as of June 30, 2005, including interest payments of \$344,108 are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 8,258	\$ 20,844	\$ 29,102
2007	8,659	20,443	29,102
2008	9,079	20,023	29,102
2009	9,520	19,582	29,102
2010	9,982	19,120	29,102
2011-2040	397,367	244,096	641,463
Totals	<u>\$ 442,865</u>	<u>\$ 344,108</u>	<u>\$ 786,973</u>

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

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

Reserve Fund

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

Contingency Fund

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

TOWN OF SAREPTA

Notes to the Financial Statements
For the Year Ended June 30, 2005

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

Restricted assets consisted of the following at June 30, 2005:

Bond and interest sinking fund	\$ 35,927
Revenue bond reserve fund	7,516
Revenue bond contingency fund	7,438
Customer deposits	6,746
	<u>\$ 57,627</u>

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

- A. Plan Description – All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service. Final-average salary is the employee’s average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

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

- B. Funding Policy – Plan members are required by state statute to contribute 7.5% of their annual covered salary and the Town of Sarepta, Louisiana, is required to contribute at an actuarially determined rate. The current rate is 21.50% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Sarepta, Louisiana’s contributions to the System for the year ending June 30, 2005, 2004 and 2003 was \$7,082, \$4,181, and \$2,187 respectively, equal to the required contributions for the years.

11. Commitments and Contingencies:

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for all risks of loss, including workers’ compensation and employee health and accident insurance. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

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

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

TOWN OF SAREPTA

Notes to the Financial Statements
For the Year Ended June 30, 2005

12. Related Party Transactions:

Procedures, observations, and inquiries did not disclose any material related party transactions for the fiscal year ended June 30, 2005.

13. On-Behalf Payments:

Two employees received a total of \$4,800 in police supplemental pay from the State of Louisiana. The Town is responsible for withholding taxes from these employees and paying the Town's matching portion of social security taxes for the amount of supplemental pay received. The Town must recognize this supplemental pay received by the employees as revenues and expenses. The revenue is reported in the general fund under intergovernmental revenues and the expenditure is reported in law enforcement expenditures.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

TOWN OF SAREPTA, LOUISIANA

Budgetary Comparison Schedule- General Fund For the Year Ended June 30, 2005

	General Fund			
	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Taxes:				
Ad valorem	\$ 55,000	\$ 54,000	\$ 54,912	\$ 912
Sales and use	38,000	42,000	42,722	722
Franchise	17,000	19,000	20,000	1,000
Licenses and permits	18,000	20,000	32,043	12,043
Fines and forfeits	32,000	23,000	22,945	(55)
Intergovernmental:				
Federal grants:				
Law enforcement equipment	-	1,600	1,620	20
State funds:				
On-behalf payments	-	-	4,800	4,800
Law enforcement equipment	-	25,000	25,000	-
Interest	500	500	852	352
Parks and recreation	18,500	17,900	17,064	(836)
Contributions	-	-	750	750
Miscellaneous	2,500	2,600	2,975	375
Total revenues	181,500	205,600	225,683	20,083
Expenditures:				
Current:				
General government	107,000	121,500	117,443	4,057
Public safety	54,400	53,600	61,722	(8,122)
Streets	20,000	16,000	16,203	(203)
Recreation and parks	26,500	25,300	13,261	12,039
Capital outlay	9,800	32,000	26,006	5,994
Total expenditures	217,700	248,400	234,635	13,765
Excess of revenues over (under) expenditures	(36,200)	(42,800)	(8,952)	33,848
Other financing sources (uses):				
Transfers from other funds	20,000	21,000	-	(21,000)
Transfers to other funds	-	-	(4,270)	(4,270)
Sale of assets	-	-	3,650	3,650
Total other financing sources (uses)	20,000	21,000	(620)	(21,620)
Net Change in Fund Balance	(16,200)	(21,800)	(9,572)	12,228
Fund Balance - beginning of year	185,875	185,875	185,875	-
Fund Balance - end of year	\$ 169,675	\$ 164,075	\$ 176,303	\$ 12,228

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

TOWN OF SAREPTA, LOUISIANA

Notes to Budgetary Comparison Schedule June 30, 2005

The proposed budget for the June 30, 2005, fiscal year was made available for public inspection at the office of the mayor in the Town Hall of Sarepta on May 10, 2004. The proposed budget is prepared in accordance with Generally Accepted Accounting Principles (GAAP).

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

1. The Mayor prepares a proposed budget and submits it to the Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After holding the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an enabling ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. The budget is structured such that revenues are budgeted by source and appropriations are budgeted by department and by principal object of expenditure. The Board of Aldermen may revise or amend the budget at its discretion during legally convened sessions. The budgetary information presented in these financial statements is as so amended. Management may amend the budget only below the department level.
6. The Town utilizes formal budgetary integration as a management control device for all funds.

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

Expenditures may not legally exceed appropriations at the fund level. Appropriations that are not expended lapse at year end. The budget was amended on June 13, 2005 for the year ended June 30, 2005.

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

OTHER SUPPLEMENTARY INFORMATION

TOWN OF SAREPTA, LOUISIANA

Schedule of Mayor and Aldermen's Compensation
For the Year Ended June 30, 2005

During 2005, the following amounts were paid to the Mayor and Town Aldermen:

E.L. Edwards - Mayor's Salary		\$ 5,225
Aldermen per-diem:		
Michael Corley	\$ 1,325	
Wiley Corley	1,325	
Jeff Franklin	1,325	
Danny Heckendorn	1,325	
Anthony Mullins	1,325	
	<hr/>	6,625
Total		<u>\$ 11,850</u>

The current elected officials' terms are as follows:

Office expiration date – December 31, 2008

**OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS AND THE
LOUISIANA GOVERNMENTAL AUDIT GUIDE**

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



Certified Public Accountants • Management Consultants • Business Advisors

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining aggregate fund information of the Town of Sarepta, Louisiana, as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 9, 2005. 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 the Town of Sarepta, 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 reportable conditions. 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 the Town's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 05-1.

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 disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 05-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Sarepta, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the mayor and board of aldermen of the Town of Sarepta, Louisiana, management, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties for any other purpose. However, under Louisiana Revised Statute 24:513, this report is a public document and its distribution is not limited.

Smith Pugh & Company, LLP

Smith, Pugh & Company, LLP
Certified Public Accountants
Shreveport, Louisiana
December 9, 2005

TOWN OF SAREPTA, LOUISIANA

Schedule of Findings and Questioned Costs
June 30, 2005

FINDINGS RELATED TO INTERNAL CONTROL

Item: 05-1

Criteria or specific requirement:

Effective internal control requires a proper segregation of incompatible duties.

Condition:

The town clerk has one part time employee who shares in significant accounting functions at the directive of the clerk. These duties include but are not limited to collecting payments for services, making deposits, paying bills, and updating the general ledger for both receipts and disbursements.

Questioned costs:

None

Context:

Town employees are performing incompatible accounting duties without appropriate mitigating procedures being performed.

Effect:

Without a proper segregation of duties, errors or fraud could occur and not be detected, increasing the risk of loss or theft of assets.

Cause:

Unknown

Recommendation:

The Town should hire additional employees, if practical, to assist in the accounting function and separate incompatible duties in order to prevent risk of loss or fraud and safeguard assets.

FINDINGS RELATED TO COMPLIANCE

None

TOWN OF SAREPTA, LOUISIANA

Summary Schedule of Prior Audit Findings
June 30, 2005

PRIOR AUDIT FINDINGS RELATED TO COMPLIANCE

None

PRIOR AUDIT FINDINGS RELATED TO INTERNAL CONTROL

None

Town of Sarepta
P. O. Box 338
Sarepta, La. 71071-0388
Phone: 847-4333 fax: 318-847-4198
e-mail address tos@centurytel.net

MAYOR
E. L. Edwards

ALDERMEN
Michael Corley
Jeff Franklin
Dan Heckendorn
Wiley P. Corley
Anthony Mullins

CLERK
Cheryle Robertson

CHIEF OF POLICE
Mack Garrett

Management's Response to Audit Finding

December 13, 2005

RE: Audit Finding 05-1
Segregation of Duties:

Condition:

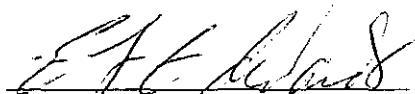
The town clerk has one part time employee who shares in significant accounting functions at the directive of the clerk. The duties include but are not limited to collecting payments for services, making deposits, paying bills, and updating the general ledger for both receipts and disbursements.

Management's Response:

We understand and agree with the condition outlined; however, due to the small size of the Town and limited cash resources, hiring an additional person is economically prohibitive.

The Mayor and Aldermen are as involved as possible with operations. Monthly financial statements are reviewed for unexpected trends, and all cash disbursements are by checks which require three signatures - the town clerk, the mayor and one alderman.

Regards,


E. L. Edwards, Mayor

ELE/cr