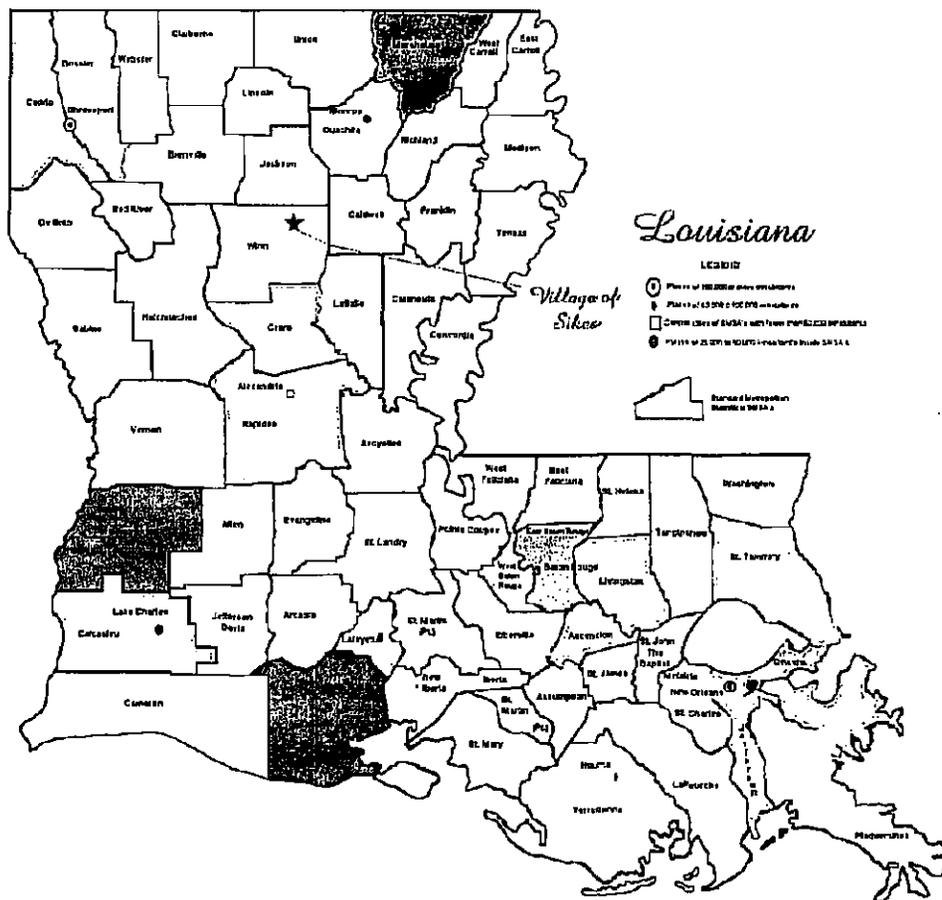


VILLAGE OF SIKES, LOUISIANA**Annual Financial Statements****JUNE 30, 2010**

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

Release Date 2/2/11

VILLAGE OF SIKES SIKES, LOUISIANA



✓ The Village of Sikes was incorporated under the Lawrason Act and the Village operates under the Mayor-Board of Alderman form of government. The Village provides the following significant services to its residents as provided by its charter: public safety (police and fire), utilities (water and sewer services) and general administrative functions, including coordination of related services with Parish, State and Federal governing bodies.

**Village of Sikes
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June 30, 2010**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Kenneth Womack, Mayor
& Members of the Town Council
Sikes, Louisiana

We have audited the accompanying basic financial statements of the governmental activities and the business-type activities of the Village of Sikes, Louisiana, as of and for the year ended June 30, 2010 which collectively comprises the Village's financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Sikes, Louisiana'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 and the business-type activities of the Village of Sikes, Louisiana, as of June 30, 2010 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.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2010, on our consideration of the Village of Sikes, Louisiana's internal control over financial reporting and on 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.

John R. Vercher PC

October 4, 2010

Jena, Louisiana

VILLAGE OF SIKES

PO Box 116

Sikes, Louisiana 71473

Tel: (318) 628-2634

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Village, we offer readers of the Village of Sikes's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the Village's financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999.

FINANCIAL HIGHLIGHTS

Governmental Funds

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$418,848 (*net assets*). This is a \$24,631 decrease from last year, mainly due to a decrease in capital assets in the amount of \$13,912.
- The Village had total revenue of \$13,017, in which \$12,180 came from fees and charges and \$820 came from taxes. This is a \$1,606 increase from last year's revenues, mainly due to an increase in fees and charges in the amount of \$1,796.
- The Village had total expenditures of \$22,235, which is an \$11,552 increase from last year, mainly due to an increase in repairs and maintenance in the amount of \$7,466 and an increase in personnel expense in the amount of \$2,826.

Enterprise Funds

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$1,338,104 (*net assets*). This is a \$686,233 increase from last year, mainly due to an increase in capital assets, net in the amount of \$668,216.
- The Village had total revenue of \$726,408, including operating revenues of \$32,772 and non-operating revenues of \$693,148. This is a \$662,303 increase from last year, mainly due to an increase in capital grants in the amount of \$655,993.
- The Village had total expenses of \$54,407, in which \$53,351 was operating expenses and \$1,056 was non-operating expenses. This is a \$5,017 increase from last year, mainly due to an increase in maintenance and repair in the amount of \$9,477.

MD&A

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements consist of two components: 1) fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The Village is a special-purpose entity engaged only in governmental activities. Accordingly, only fund financial statements are presented as the basic financial statements.

Effective, January 1, 2004, the Village adopted Governmental Accounting Standards (GASB) Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*.

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 Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

USING THIS ANNUAL REPORT

The Village's annual report consists of financial statements that show information about the Village's funds, enterprise funds and governmental funds.

Our accountant has provided assurance in his independent accountant's report, located immediately following this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. Varying degrees of assurance are being provided by the accountant regarding the other information included in this report. A user of this report should read the independent accountant's report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

Reporting the Village's Most Significant Funds

The Village's financial statements provide detailed information about the most significant funds. The Village may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using grants and other money. The Village's enterprise fund uses the following accounting approach:

All of the Village's services are reported in an enterprise fund. They are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The focus of proprietary funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

MD&A

GOVERNMENTAL FUNDS

Comparative Statement of Net Assets

The following table represents a condensed Comparative Statement of Net Assets as of June 30, 2010:

	<u>2009</u>	<u>2010</u>	<u>% Change</u>
Assets			
Cash & Investments	\$ 15,582	\$ 2,948	-81.1
Receivables	-0-	1,908	100.0
Capital Assets, Net of Accumulated Depreciation	<u>428,141</u>	<u>414,229</u>	-3.2
Total Assets	<u>443,723</u>	<u>419,085</u>	-5.6
Liabilities & Net Assets			
Accounts, Salaries, & Other Payables	<u>244</u>	<u>237</u>	-2.9
Total Liabilities	<u>244</u>	<u>237</u>	-2.9
Net Assets			
Invested in Capital Assets, Net of Related Debt	428,141	414,229	-3.2
Restricted For Debt Service	-0-	-0-	0.0
Unrestricted	<u>15,338</u>	<u>4,619</u>	-69.9
Total Net Assets	<u>\$ 443,479</u>	<u>\$ 418,848</u>	-5.6

Comparative Changes in Fund Balances

The following table reflects the condensed Comparative Statement of Revenues, Expenditures, and Changes in Fund Balances for the year ended June 30, 2010:

	<u>2009</u>	<u>2010</u>	<u>% Change</u>
Beginning Fund Balances	\$ 14,609	\$ 15,337	5.0
Total Revenues	11,411	13,017	14.1
Total Expenditures	(10,683)	(22,235)	108.1
Total Transfers In (Out)	<u>-0-</u>	<u>(1,500)</u>	-100.0
Increase (Decrease) in Fund Balances	<u>728</u>	<u>(10,718)</u>	-1,572.2
Ending Fund Balances	<u>\$ 15,337</u>	<u>\$ 4,619</u>	-69.9

MD&A

ENTERPRISE FUNDS

Comparative Statement of Net Assets

The following table represents a condensed Comparative Statement of Net Assets as of June 30, 2010:

	<u>2009</u>	<u>2010</u>	<u>% Change</u>
Assets			
Cash & Investments	\$ 27,030	\$ 28,115	4.0
Receivables	3,073	259,242	8,336.1
Restricted Assets	16,148	18,018	11.6
Capital Assets, Net of Accumulated Depreciation	652,625	1,320,841	102.4
Total Assets	<u>698,876</u>	<u>1,626,216</u>	132.7
Liabilities and Net Assets			
Accounts, Salaries, & Other Payables	928	256,410	27,530.4
Customer Deposits	3,345	4,702	40.6
Bonds & Notes Payable	30,000	27,000	10.0
Total Liabilities	<u>34,273</u>	<u>288,112</u>	740.6
Net Assets			
Invested in Capital Assets, Net of Related Debt	622,025	1,039,997	67.2
Restricted For Debt Service	9,803	8,598	-12.3
Unrestricted	32,775	289,509	783.3
Total Net Assets	<u>\$ 664,603</u>	<u>\$ 1,338,104</u>	101.3

Comparative Changes in Net Assets

The following table reflects the condensed Comparative Statement of Revenues, Expenses, and Changes in Net Assets for the year ended June 30, 2010:

	<u>2009</u>	<u>2010</u>	<u>% Change</u>
Beginning Net Assets	\$ 649,888	\$ 664,603	2.3
Revenues			
Operating Revenues	26,493	32,772	23.7
Non-Operating Revenues	37,612	693,636	1,744.2
Total Revenues	<u>64,105</u>	<u>726,408</u>	1,033.2
Expenses			
Operating Expenses	48,157	53,351	10.8
Non-Operating Expenses	1,233	1,056	-14.4
Total Expenses	<u>49,390</u>	<u>54,407</u>	16.2
Revenues Over(Under) Expenditures	14,715	672,001	4,466.8
Transfers In (Out)	-0-	1,500	100.0
Increase (Decrease) in Net Assets	<u>14,715</u>	<u>673,501</u>	4,477.0
Ending Net Assets	<u>\$ 664,603</u>	<u>\$ 1,338,104</u>	101.3

MD&A

CAPITAL ASSETS

Capital Assets – Governmental Fund

At June 30, 2010, the Village had \$414,229 invested in capital assets, including equipment.

Capital Assets at Year-End

	<u>2009</u>	<u>2010</u>
Equipment	\$ 556,477	\$ 556,477
Accumulated Depreciation	(128,336)	(142,248)
Total	<u>\$ 428,141</u>	<u>\$ 414,229</u>

Capital Assets – Enterprise Fund

At June 30, 2010, the Village had \$1,320,841 invested in capital assets, including the sewer system, machinery, and equipment.

Capital Assets at Year-End

	<u>2009</u>	<u>2010</u>
Sewer System	\$ 671,020	\$ 682,097
Water System *	358,568	1,037,362
Accumulated Depreciation	(376,963)	(398,618)
Total	<u>\$ 652,625</u>	<u>\$ 1,320,841</u>

* Land in the amount of \$600.00 is not being depreciated.

CONTACTING THE VILLAGE'S FINANCIAL MANGEMENT:

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the entity's finances and to show that the entity's accountability for the money it receives. If you have questions about this report or need additional information, contact Mayor Kenneth Womack at the Village Hall, phone number (318) 628-2634.

BASIC FINANCIAL STATEMENTS

VILLAGE OF SIKES
Statement of Net Assets
June 30, 2010

	PRIMARY GOVERNMENT		TOTAL
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	
ASSETS			
Cash & Cash Equivalents	\$ 2,948	\$ 5,629	\$ 8,577
Investments	-0-	22,486	22,486
Receivables (Net of Allowances for Uncollectable)	1,908	259,242	261,150
Restricted Cash	-0-	18,018	18,018
Capital Assets (Net of Accumulated Depreciation)	414,229	1,320,841	1,735,070
TOTAL ASSETS	<u>419,085</u>	<u>1,626,216</u>	<u>2,045,301</u>
LIABILITIES			
Accounts, Salaries, & Other Payables	237	2,566	2,803
Contracts Payable	-0-	253,844	253,844
Current Portion - Bonds Payable	-0-	3,000	3,000
Customer Deposits	-0-	4,702	4,702
Non-Current - Bonds Payable	-0-	24,000	24,000
TOTAL LIABILITIES	<u>237</u>	<u>288,112</u>	<u>288,349</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	414,229	1,293,841	1,708,070
Restricted	-0-	8,598	8,598
Unrestricted	4,619	35,665	40,284
TOTAL NET ASSETS	<u>\$ 418,848</u>	<u>\$ 1,338,104</u>	<u>\$ 1,756,952</u>

The Accompanying Notes Are an Integral Part of This Statement

VILLAGE OF SIKES
Balance Sheet
June 30, 2010

ASSETS	
Cash	\$ 2,948
Taxes Receivable	1,908
TOTAL ASSETS	<u>4,856</u>
 LIABILITIES & FUND BALANCE	
Accounts Payable	237
Fund Balance, Unreserved/Unassigned	4,619
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 4,856</u>

The Accompanying Notes Are an Integral Part of This Statement

VILLAGE OF SIKES
Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Assets
Year Ended June 30, 2010

Total fund balance – governmental funds	\$	4,619
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the balance sheet – governmental funds.		414,229
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		<u>-0-</u>
Total net assets of governmental activities	\$	<u>418,848</u>

The Accompanying Notes Are an Integral Part of This Statement

VILLAGE OF SIKES
Statement of Revenues, Expenditures, & Changes in Fund Balance
For the Year Ended June 30, 2010

REVENUES	
Fees & Charges	\$ 12,180
Taxes	820
Miscellaneous	17
TOTAL REVENUES	<u>13,017</u>
EXPENDITURES	
Personnel Expense	6,535
Other Administrative	6,081
Utilities	2,111
Repairs & Maintenance	7,508
TOTAL EXPENDITURES	<u>22,235</u>
REVENUES OVER(UNDER) EXPENDITURES	(9,218)
TRANSFERS IN (OUT)	<u>(1,500)</u>
NET CHANGE IN FUND BALANCE	(10,718)
FUND BALANCES—BEGINNING	<u>15,337</u>
FUND BALANCES—ENDING	<u>\$ 4,619</u>

The Accompanying Notes Are an Integral Part of This Statement

Village of Sikes, Louisiana
Statement of Net Assets, Proprietary Funds
June 30, 2010

	BUSINESS TYPE ACTIVITIES ENTERPRISE FUND WATER & SEWER FUND
CURRENT ASSETS	
Cash & Cash Equivalents	\$ 5,629
Investments	22,486
Receivables (Net of Allowances for Uncollectible)	259,242
TOTAL CURRENT ASSETS	287,357
NON-CURRENT ASSETS	
Restricted Cash	18,018
Capital Assets (Net of Accumulated Depreciation)	1,320,841
TOTAL NON-CURRENT ASSETS	1,338,859
TOTAL ASSETS	1,626,216
CURRENT LIABILITIES	
Accounts, Salaries, & Other Payables	2,566
Contracts Payable	253,844
Current Bond Payable	3,000
TOTAL CURRENT LIABILITIES	259,410
NON-CURRENT LIABILITIES	
Customer Deposits	4,702
Bond Payable	24,000
TOTAL NON-CURRENT LIABILITIES	28,702
TOTAL LIABILITIES	288,112
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	1,293,841
Restricted	8,598
Unrestricted	35,665
TOTAL NET ASSETS	\$ 1,338,104

The Accompanying Notes Are an Integral Part of This Statement

Village of Sikes, Louisiana
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
June 30, 2010

	BUSINESS TYPE ACTIVITIES ENTERPRISE FUND WATER & SEWER FUND
OPERATING REVENUES	
Charges for Services	\$ 32,772
TOTAL OPERATING REVENUES	32,772
OPERATING EXPENSES	
Administrative Expense	2,408
Maintenance & Repair	13,330
Other Operating	8,297
Utilities	7,661
Depreciation	21,655
TOTAL OPERATING EXPENSES	53,351
OPERATING INCOME (LOSS)	(20,579)
NON-OPERATING REVENUES (EXPENSES)	
Capital Grants	693,148
Interest Income	488
Interest Expense	(1,056)
TOTAL NON-OPERATING REVENUES (EXPENSES)	692,580
TRANSFERS IN (OUT)	1,500
CHANGE IN NET ASSETS	673,501
TOTAL NET ASSETS – BEGINNING	664,603
TOTAL NET ASSETS – ENDING	\$ 1,338,104

The Accompanying Notes Are an Integral Part of This Statement

Village of Sikes, Louisiana
Statement of Cash Flows
Proprietary Funds
June 30, 2010

	BUSINESS TYPE ACTIVITIES ENTERPRISE FUND WATER & SEWER FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers & Users	\$ 41,850
Payments to Suppliers	(40,104)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,746
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES	
Transfer From Other Funds	1,500
Capital Grant	693,148
Purchase of Capital Assets	(689,872)
Interest Paid on Capital Debt	(1,056)
Principal Paid on Capital Debt	(3,000)
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	720
CASH FLOWS FROM INVESTING ACTIVITIES	
Change in Restricted Assets	(1,797)
Interest Income	488
Change in Investments	(419)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(1,728)
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	738
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	4,891
CASH & CASH EQUIVALENTS, END OF YEAR	5,629
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	(20,579)
Depreciation Expense	21,655
(Increase) Decrease in Accounts Receivable	(256,169)
Increase (Decrease) in Accounts Payable	1,638
Increase (Decrease) in Customer Deposits	1,357
Increase (Decrease) in Contracts Payable	253,844
TOTAL ADJUSTMENTS	22,325
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,746

The Accompanying Notes Are an Integral Part of This Statement

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

VILLAGE OF SIKES, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Sikes was incorporated under the provisions of the Lawrason Act. The entity operates under the Mayor-Board of Alderman form of government. The entity provides the following significant services to its residents as provided by its charter: public safety (police and fire), highways and streets, utilities (water, gas and sewer services) and general administrative functions, including coordination of related services with parish, state and federal governing bodies.

The entity applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The accounting and reporting policies of the Village of Sikes conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

The following is a summary of certain significant accounting policies:

A. GOVERNMENT-WIDE & FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meetings the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

VILLAGE OF SIKES, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, & FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The municipality reports the following major governmental funds:

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

The municipality reports the following major proprietary funds:

- Water and Sewer Fund

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

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

VILLAGE OF SIKES, LOUISIANA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

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

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

The Village has a policy of applying expenses to restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

C. FIXED ASSETS & LONG-TERM LIABILITIES

For the year ended June 30, 2010, no interest costs were capitalized for construction of fixed assets.

Depreciation of all exhaustible fixed assets is charged as an expense against its operations. Accumulated depreciation is reported on the proprietary fund balance sheet and governmental fund statement of activities. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

	<u>Life In Years</u>
Water System	40
Sewer System	40
Buildings	40
Equipment	5-10

D. BUDGETS & BUDGETARY ACCOUNTING

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

- (1) The Village clerk prepares a proposed budget based on departmental group budget requests, and submits the same to the Mayor and Board of Aldermen for approval.
- (2) The entity does not utilize the budget in comparison form in financial statement presentation during the year.
- (3) All budgetary appropriations lapse at the end of the fiscal year.
- (4) The entity does not utilize encumbrance accounting.
- (5) The budget was amended during the year.

VILLAGE OF SIKES, LOUISIANA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

E. CASH, CASH EQUIVALENTS, & INVESTMENTS

All cash and investments (CD's over 90 days) are reported at cost and are on deposit at federally insured banks.

It is the Village's policy for deposits to be 100% secured by collateral at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The Village's deposits are categorized to give an indication of the level of risk assumed by the Village at fiscal year-end. All deposits were secured at the year-end. The categories are described as follows:

- *Category 1* – Insured or collateralized with securities held by the Village or by its agent in the Village's name.
- *Category 2* – Collateralized with securities held by the pledging financial institution's trust department or agent in the Village's name.
- *Category 3* – Uncollateralized.

Total Cash	\$	49,081
FDIC (<i>Category 1</i>)		49,081
Securities (<i>Category 2</i>)		-0-
Uncollateralized (<i>Category 3</i>)		-0-
Total Secured	\$	49,081

F. INVENTORIES

Immaterial amounts of inventory are maintained for general fund and enterprise fund operations and, accordingly, these supplies are expensed as purchased.

G. ACCOUNTS RECEIVABLE & ALLOWANCE FOR BAD DEBTS

At June 30, 2010 no reserve for bad debts in the general fund was required since the estimated uncollectible receivables outstanding were considered immaterial.

	Enterprise Fund	Governmental Fund
	Water & Sewer Fund	General Fund
Fees & Charges	\$ -0-	\$ 1,908
Customer	5,399	-0-
Grants Receivable	253,843	-0-
Total	\$ 259,242	\$ 1,908

VILLAGE OF SIKES, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

H. COMPENSATED ABSENCES

The entity has no compensated absence policy.

I. RESERVES

The entity records reserves to indicate that a portion of its net assets balances are legally restricted for a specific future use. The following is a list of such reserves and a description of each:

Restricted - Revenue Bonds

This amount represents monies reserved as required by the revenue bond indentures.

Restricted for Debt Service

Certain assets have been reserved in the Debt Service Fund for future payment of long-term liabilities of the governmental funds.

(2) AD VALOREM TAXES

The entity levies taxes on real and business personal property located within its boundaries. The entity utilizes the services of the LaSalle Parish Tax Assessor to assess the property values and prepare the entity's property tax roll. The entity bills and collects its own property taxes.

Property Tax Calendar

Assessment Date	January 1
Levy Date	No Later Than June 1
Tax Bills Mailed	On or About October 15
Total Taxes Are Due	December 31
Penalties and Interest are Added	January 1
Lien Date	January 1

For the year ended June 30, 2010, taxes of 5.86 mills were levied against property having a valuation of some \$193,783 which produced some \$994 in revenue.

Ad Valorem Taxes are broken down as follows:

General Alimony	<u>5.86</u>
Total	<u>5.86</u>

VILLAGE OF SIKES, LOUISIANA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

(3) RESTRICTED ASSETS - PROPRIETARY FUND TYPES

At June 30, 2010, restricted assets of the Enterprise Funds were invested in either interest bearing checking accounts or time deposits and were restricted for the following purposes:

	<u>Water</u>	<u>Sewer</u>
Bond Sinking	\$ 3,083	\$ -0-
Meter Deposit	6,420	-0-
Bond Reserve	3,562	-0-
Depreciation & Contingencies	4,953	-0-
Total	<u>\$ 18,018</u>	<u>\$ -0-</u>

(4) FIXED ASSETS

PROPERTY ENTERPRISE FUND: PLANT AND EQUIPMENT

A summary of enterprise fund property, plant and equipment at June 30, 2010, is as follows:

	<u>Balance 6-30-2009</u>	<u>Additions (Deletions)</u>	<u>Balance 6-30-2010</u>
<u>Water</u>			
Distribution System *	\$ 358,567	\$ 678,795	\$ 1,037,362
Accumulated Depreciation	(145,467)	(8,235)	(153,702)
Net	<u>213,100</u>	<u>670,560</u>	<u>883,660</u>
<u>Sewer</u>			
Plant	\$ 671,020	\$ 11,077	\$ 682,097
Accumulated Depreciation	(231,496)	(13,420)	(244,916)
Net	<u>439,524</u>	<u>(2,343)</u>	<u>437,181</u>

* Land in the amount of \$600.00 is not being depreciated.

Enterprise fund assets are depreciated on the straight-line basis using the following useful lives:

Sewer Plant	40 Years
Water Plant	40 Years
Equipment	5-10 Years

GOVERNMENTAL FUND

A summary of governmental fund depreciable assets at June 30, 2010, is as follows:

	<u>Balance 6-30-2009</u>	<u>Additions (Deletions)</u>	<u>Balance 6-30-2010</u>
Equipment	\$ 556,477	\$ -0-	\$ 556,477
Accumulated Depreciation	(128,336)	(13,912)	(142,248)
Net	<u>\$ 428,141</u>	<u>\$ (13,912)</u>	<u>\$ 414,229</u>

VILLAGE OF SIKES, LOUISIANA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

Government fund assets are depreciated on the straight-line basis using the following useful lives:

Equipment	5-10 Years
Buildings	40 Years

(5) CHANGES IN LONG-TERM DEBT

The following is a summary of bond transactions of the Village of Sikes for the year ended June 30, 2010:

	Balance 6-30-2009	Additions	Reductions	Balance 6-30-2010
Water Utility Bonds	\$ 30,000	-0-	3,000	27,000
Total	\$ 30,000	-0-	3,000	27,000

Notes and bonds payable at June 30, 2010 are comprised of the following individual issues:

Revenue bonds administered by the Water and Sewer Enterprise Fund:

\$30,000 Water Utility Bonds with \$3,000 in principle due each year plus interest; due in 2016.	27,000
	27,000

Provision of Revenue Bond Indenture

Under the terms of the bond indenture on outstanding utility bonds, all income and revenues of every nature are pledged and dedicated to the retirement of said bonds and are to be set aside into the following special funds:

- (a) On or before the 20th of each month, there will be set aside into a fund called the "Revenue Bond and Interest Sinking Fund" an amount constituting one-twelfth of the next maturing installment of principal and interest. Such transfers shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due and may be used only for such payments.

VILLAGE OF SIKES, LOUISIANA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

- (b) On or before the 20th of each month, there shall be set aside into a "Bond Reserve Fund" for the sewer bonds, and amount equal to 5% of the amount not be paid into the sinking fund.
- (c) Funds will also be set aside into a "Depreciation and Contingency Fund" at the rate of \$17 per month for the water bonds. Money in this fund may be used for the making of extraordinary repairs as replacements to the systems, which are necessary to keep the systems in operating condition, and is not available for maintenance and operating expenses.

Annual Requirements to Amortize all Debts

The annual requirements to amortize all debt outstanding as of June 30, 2010, including interest payments are as follows:

<u>Year Ending June 30,</u>	<u>Sewer/Water Revenue Bonds</u>	<u>Total</u>
2010	4,474	4,474
2011	4,474	4,474
2012	4,474	4,474
2013	4,474	4,474
2014	4,474	4,474
2015-2016	8,949	8,949
Total	\$ 31,319	31,319

(6) ELECTED OFFICIAL'S SALARIES

<u>Name</u>	<u>Title</u>	<u>Annualized Salary</u>
Kenneth R. Womack	Mayor	\$2,493
Mike Riffe	Alderman	\$480
Reba Berry	Alderman	\$480
Rita Wroten	Alderman	\$480

VILLAGE OF SIKES, LOUISIANA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

(7) USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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 and expenses during the reporting period. Actual results could differ from those estimates.

(8) ENCUMBRANCES

The entity does not utilize encumbrance accounting.

(9) RETIREMENT PLANS

The entity does not offer its employees a retirement plan. All employees are in the social security system.

(10) TRANSFERS

Transfers between funds were made for operational purposes.

(11) EXPENDITURES IN EXCESS OF APPROPRIATIONS

The Village had an unfavorable expenditure variance of \$6,595 or 42.2% in the general fund for the year ended June 30, 2010.

**REQUIRED SUPPLEMENTAL
INFORMATION**

VILLAGE OF SIKES, LOUISIANA
Statement of Revenues, Expenditures, & Changes in Fund Balance
Budget & Actual
General Fund
For the Year Ended June 30, 2010

	BUDGET AMOUNTS		ACTUAL AMOUNTS BUDGETARY BASIS	BUDGET VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES				
Fees & Charges	\$ 15,000	\$ 15,000	\$ 12,180	\$ (2,820)
Taxes	1,100	1,100	820	(280)
Other	-0-	-0-	17	17
TOTAL REVENUES	<u>16,100</u>	<u>16,100</u>	<u>13,017</u>	<u>(3,083)</u>
EXPENDITURES				
General & Administrative	11,640	11,640	12,616	(976)
Repairs and Maintenance	-0-	-0-	7,508	(7,508)
Utilities	3,000	3,000	2,111	889
Other	1,000	1,000	-0-	1,000
TOTAL EXPENDITURES	<u>\$ 15,640</u>	<u>\$ 15,640</u>	<u>22,235</u>	<u>\$ (6,595)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES			<u>(9,218)</u>	
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)			<u>(1,500)</u>	
TOTAL OTHER FINANCING SOURCES (USES)			<u>(1,500)</u>	
NET CHANGE IN FUND BALANCE			(10,718)	
FUND BALANCES--BEGINNING			<u>15,337</u>	
FUND BALANCES--ENDING			<u>\$ 4,619</u>	

The accompanying notes are an integral part of this statement.

OTHER REPORTS

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

Honorable Kenneth Womack, Mayor
Village of Sikes
PO Box 116
Sikes, LA 71480

We have audited the accompanying basic financial statements of the Village of Sikes, Louisiana, as of and for the year ended June 30, 2010, which collectively comprise the Village's basic financial statements and have issued our report thereon dated October 4, 2010. 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 Village of Sikes's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Sikes's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Sikes's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. **(2010-I-1 Small Size of Entity)**. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Sikes'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*, except for the following item as discussed in the Schedule of Findings and Questioned Costs.

2010-C-1 Budget Variances

The Village of Sikes's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Village of Sikes's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, federal awarding agencies and Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a public document and its distribution is not limited.

John R. Vercher PC

October 4, 2010

Jena, Louisiana

VILLAGE OF SIKES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COST
For the Year Ended June 30, 2010

We have audited the basic financial statements of the Village of Sikes, Louisiana, as of and for the year ended June 30, 2010 and have issued our report thereon dated October 4, 2010. We conducted our audit in accordance with generally accepted auditing standards 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. Our audit of the financial statements as of June 30, 2010 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes No Other Conditions Yes No

Compliance

Compliance Material to Financial Statements Yes No

b. Federal Awards (Not Applicable)

Internal Control

Material Weaknesses Yes No Other Conditions Yes No

Type of Opinion On Compliance Unqualified Qualified
For Major Programs Disclaimer Adverse

Are the finding required to be reported in accordance with Circular A-133, Section .510(a)?

Yes No

c. Identification Of Major Programs:

CFDA Number (s)

Name Of Federal Program (or Cluster)

Dollar threshold used to distinguish between Type A and Type B Programs: \$ _____

Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133? Yes No

VILLAGE OF SIKES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COST – (CONT.)

For the Year Ended June 30, 2010

Section II Financial Statement Findings Required To Be Reported In Accordance With GAGAS

2010-C-1 Budget Variances

Condition: The Village had an unfavorable revenue variance of \$3,083 or 19.1% and an unfavorable expenditure variance of \$6,595 or 42.2% in the general fund

Criteria: The budget act requires that governments amend their budgets when revenues fall below budgeted amounts by more than 5% or when expenditures exceed 5% of appropriations.

Cause of Condition: Not amending budget before year end.

Effect of Condition: Violation of the Budget Act.

Client Response and Corrective Action: Discussed with the Village Clerk. The Village will begin monitoring revenues and expenditures to determine if the budget should be amended.

Contact Person: Kenneth Womack

Anticipated Completion Date: June 30, 2011

Section III – Internal Control

2010-I-1 Small Size of Entity

Condition: Because of the small size of the Village and the lack of separation of duties of employees, many of the important elements of good internal controls cannot always be achieved to ensure adequate protection of the Village's cash.

Criteria: Important elements of good internal controls often require that the same employee does not handle the functions of accounting, collections, billing, receiving and check writing.

Cause of Condition: Small size of entity and lack of employees.

Effect of Condition: Significant deficiency in internal controls.

VILLAGE OF SIKES, LOUISIANA

**SCHEDULE OF FINDINGS AND QUESTIONED COST – (CONT.)
For the Year Ended June 30, 2010**

Recommendation: We recommend that management continue to provide the necessary oversight in its current internal control procedures, specifically in the areas of cash receipts, collection receipt activities, recordation of those receipts, depositing of funds collected, and review of checks written.

Client Response and Corrective Action: Management will continue to provide the necessary oversight in its current internal control procedures, specifically in the areas of cash receipts, collection receipt activities, recordation of those receipts, depositing of funds collected, and review of checks written.

Contact Person: Kenneth Womack

Anticipated Completion Date: June 30, 2011

Section IV Federal Awards Findings and Questioned Costs

Not Applicable.

VILLAGE OF SIKES, LOUISIANA

MANAGEMENT LETTER COMMENTS

During the course of our audit, we observed conditions and circumstances that may be improved. Below are situations that may be improved (if any) and recommendations for improvements.

CURRENT YEAR MANAGEMENT LETTER COMMENTS

There are no current year management letter comments.

VILLAGE OF SIKES, LOUISIANA

**MANAGEMENT'S SUMMARY
OF PRIOR YEAR FINDINGS**

Legislative Auditor
State of Louisiana
Baton Rouge, Louisiana 70804-9397

The management of the Village of Sikes, Louisiana has provided the following action summaries relating to audit findings brought to their attention as a result of their financial audit for the year ended June 30, 2009.

PRIOR YEAR FINDINGS

There were no prior year findings.