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COMPONENT UNIT  
FINANCIAL STATEMENTS  
OF THE  
NEZPIQUE DRAINAGE DISTRICT  
JEFFERSON DAVIS PARISH, LOUISIANA  
AS OF DECEMBER 31, 1995

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 7-24-96

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# FREDERICK, NORTON, ROBERT & SCHULTHESS

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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Nezpique Drainage District  
Jefferson Davis Parish, Louisiana

We have audited the accompanying component unit financial statements of the Nezpique Drainage District, Jefferson Davis Parish, Louisiana, a component unit of the Jefferson Davis Parish Police Jury, as of December 31, 1995, and for the year then ended. These component unit financial statements are the responsibility of the Nezpique Drainage Districts' management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Standards for Audits of Governmental Organizations, Programs, Activities, and Functions, promulgated by the United States General Accounting Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit 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 component unit financial statements referred to above present fairly, in all material respects, the financial position of the Nezpique Drainage District, Jefferson Davis Parish, Louisiana as of December 31, 1995, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

*Frederick, Norton, Robert & Schulthess*

FREDERICK, NORTON, ROBERT & SCHULTHESS  
June 10, 1996

NEZPIQUE DRAINAGE DISTRICT  
JEFFERSON DAVIS PARISH, LOUISIANA

COMPONENT UNIT COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
As of December 31, 1995

	GOVERNMENTAL FUNDS			ACCOUNT GROUP	TOTALS (MEMORANDUM ONLY)
	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	GENERAL LONG-TERM DEBT	
<b>ASSETS AND OTHER DEBITS</b>					
<b>Assets:</b>					
Cash and cash equivalents	\$ 4,662	\$ -0-	\$ 193,204	\$ -0-	\$ 197,866
Receivables -					
ad valorem taxes	39,931	57,605	-0-	-0-	97,536
Amount available in debt service fund	-0-	-0-	-0-	57,605	57,605
Amount to be provided for retirement of long-term debt	-0-	-0-	-0-	177,395	177,395
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$ 44,593</b>	<b>\$ 57,605</b>	<b>\$ 193,204</b>	<b>\$ 235,000</b>	<b>\$ 530,402</b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>					
<b>Liabilities:</b>					
Bonds Payable	\$ -0-	\$ -0-	\$ -0-	\$ 235,000	\$ 235,000
<b>Total Liabilities</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 235,000</b>	<b>\$ 235,000</b>
<b>Equity and Other Credits:</b>					
<b>Fund Balances:</b>					
Reserved	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Unreserved - designated	-0-	57,605	-0-	-0-	57,605
undesignated	44,593	-0-	193,204	-0-	237,797
<b>Total Equity and Other Credits</b>	<b>\$ 44,593</b>	<b>\$ 57,605</b>	<b>\$ 193,204</b>	<b>\$ -0-</b>	<b>\$ 295,402</b>
<b>TOTAL LIABILITIES, EQUITY AND OTHER CREDITS</b>	<b>\$ 44,593</b>	<b>\$ 57,605</b>	<b>\$ 193,204</b>	<b>\$ 235,000</b>	<b>\$ 530,402</b>

The accompanying notes are an integral part of these component unit financial statements

NEZPIQUE DRAINAGE DISTRICT  
JEFFERSON DAVIS PARISH, LOUISIANA

COMPONENT UNIT COMBINED STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND TYPE  
As of December 31, 1995

	GOVERNMENTAL FUNDS			TOTALS (MEMORANDUM ONLY)
	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	
<b>REVENUES</b>				
Ad valorem taxes (Net)	\$ 39,931	\$ 57,605	\$ -0-	\$ 97,536
Miscellaneous	2,899	-0-	-0-	2,899
Uses of money and property- Interest earnings	-0-	-0-	9,951	9,951
<b>TOTAL REVENUES</b>	<b>\$ 42,830</b>	<b>\$ 57,605</b>	<b>\$ 9,951</b>	<b>\$ 110,386</b>
<b>EXPENDITURES</b>				
General governments:				
Legislative	\$ 3,475	\$ -0-	\$ -0-	\$ 3,475
Public Works	11,844	-0-	49,336	61,180
Debt Service	-0-	60,565	-0-	60,565
Finance and Administrative	6,634	-0-	-0-	6,634
<b>TOTAL EXPENDITURES</b>	<b>\$ 21,953</b>	<b>\$ 60,565</b>	<b>\$ 49,336</b>	<b>\$ 131,854</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 20,877</b>	<b>(\$ 2,960)</b>	<b>(\$ 39,385)</b>	<b>(\$ 21,468)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	\$ -0-	\$ -0-	\$ 19,336	\$ 19,336
Operating Transfers (Out)	(19,336)	-0-	-0-	(19,336)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(\$ 19,336)</b>	<b>\$ -0-</b>	<b>\$ 19,336</b>	<b>\$ -0-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)</b>	<b>\$ 1,541</b>	<b>(\$ 2,960)</b>	<b>(\$ 20,049)</b>	<b>(\$ 21,468)</b>
<b>FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR</b>	<b>\$ 43,052</b>	<b>\$ 60,565</b>	<b>\$ 213,253</b>	<b>\$ 316,870</b>
<b>FUND BALANCES (DEFICIT) AT END OF YEAR</b>	<b>\$ 44,593</b>	<b>\$ 57,605</b>	<b>\$ 193,204</b>	<b>\$ 295,402</b>

The accompanying notes are an integral part of these component unit financial statements

NEZPIQUE DRAINAGE DISTRICT  
JEFFERSON DAVIS PARISH, LOUISIANA

COMPONENT UNIT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 1995

	GENERAL FUND		
	Budget	Actual	Variance Over (Under)
<u>REVENUES</u>			
Ad Valorem Taxes (Net)	\$ 31,806	\$ 39,931	\$ 8,125
Miscellaneous	-0-	2,899	2,899
Uses Of Money And Property			
Interest Earnings	-0-	-0-	-0-
<b>TOTAL REVENUES</b>	<u>\$ 31,806</u>	<u>\$ 42,830</u>	<u>\$ 11,024</u>
<u>EXPENDITURES</u>			
General Government:			
Legislative	\$ 6,000	\$ 3,475	\$ 2,525
Public Works	20,000	11,844	8,156
Debt Service	-0-	-0-	-0-
Finance and Administrative	5,000	6,634	( 1,634)
<b>TOTAL EXPENDITURES</b>	<u>\$ 31,000</u>	<u>\$ 21,953</u>	<u>\$ 9,047</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u>	<u>\$ 806</u>	<u>\$ 20,877</u>	<u>\$ 20,071</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	\$ -0-	\$ -0-	\$ -0-
Operating Transfers (Out)	-0-	( 19,336)	( 19,336)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>\$ -0-</u>	<u>( 19,336)</u>	<u>(\$ 19,336)</u>
<u>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)</u>	<u>\$ 806</u>	<u>\$ 1,541</u>	<u>\$ 735</u>
<u>FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR</u>	<u>\$ 43,002</u>	<u>\$ 43,052</u>	<u>\$ 50</u>
<u>FUND BALANCE (DEFICIT) AT END OF YEAR</u>	<u>\$ 43,808</u>	<u>\$ 44,593</u>	<u>\$ 787</u>

The accompanying notes are an integral part of these component unit financial statements



NEZPIQUE DRAINAGE DISTRICT  
JEFFERSON DAVIS PARISH, LOUISIANA

COMPONENT UNIT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 1995

	<u>DEBT SERVICE FUND</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>REVENUES</u>			
Ad Valorem Taxes (Net)	\$ 60,565	\$ 57,605	(\$ 2,960)
Uses Of Money And Property			
Interest Earnings	-0-	-0-	-0-
<b>TOTAL REVENUES</b>	<b>\$ 60,565</b>	<b>\$ 57,605</b>	<b>(\$ 2,960)</b>
<u>EXPENDITURES</u>			
General Government:			
Legislative	\$ -0-	\$ -0-	\$ -0-
Public Works	-0-	-0-	-0-
Debt Service	58,138	60,565	( 2,427)
Finance and Administrative	-0-	-0-	-0-
<b>TOTAL EXPENDITURES</b>	<b>\$ 58,138</b>	<b>\$ 60,565</b>	<b>(\$ 2,427)</b>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u>	<u>\$ 2,427</u>	<u>(\$ 2,960)</u>	<u>(\$ 5,387)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	\$ -0-	\$ -0-	\$ -0-
Operating Transfers (Out)	-0-	-0-	-0-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ -0-</b>	<b>-0-</b>	<b>\$ -0-</b>
<u>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)</u>	<u>\$ 2,427</u>	<u>(\$ 2,960)</u>	<u>(\$ 5,387)</u>
<u>FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR</u>	<u>\$ 58,138</u>	<u>\$ 60,565</u>	<u>\$ 2,427</u>
<u>FUND BALANCE (DEFICIT) AT END OF YEAR</u>	<u>\$ 60,565</u>	<u>\$ 57,605</u>	<u>(\$ 2,960)</u>

The accompanying notes are an integral part of these component unit financial statements

NEZPIQUE DRAINAGE DISTRICT  
JEFFERSON DAVIS PARISH, LOUISIANA

COMPONENT UNIT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED DECEMBER 31, 1995

	<u>CAPITAL PROJECTS FUND</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<b>REVENUES</b>			
Ad Valorem Taxes (Net)	\$ -0-	\$ -0-	\$ -0-
Uses Of Money And Property			
Interest Earnings	<u>12,000</u>	<u>9,951</u>	<u>( 2,049)</u>
<b>TOTAL REVENUES</b>	<b>\$ 12,000</b>	<b>\$ 9,951</b>	<b>(\$ 2,049)</b>
<b>EXPENDITURES</b>			
General Government:			
Legislative	\$ -0-	\$ -0-	\$ -0-
Public Works	150,000	49,336	100,664
Debt Service	-0-	-0-	-0-
Finance and Administrative	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 150,000</b>	<b>\$ 49,336</b>	<b>\$ 100,664</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(\$ 138,000)</b>	<b>(\$ 39,385)</b>	<b>\$ 98,615</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers In	\$ -0-	\$ 19,336	\$ 19,336
Operating Transfers (Out)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ -0-</b>	<b>19,336</b>	<b>\$ 19,336</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)</b>	<b>(\$ 138,000)</b>	<b>(\$ 20,049)</b>	<b>\$ 117,951</b>
<b>FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR</b>	<b>\$ 302,264</b>	<b>\$ 213,253</b>	<b>(\$ 89,011)</b>
<b>FUND BALANCE (DEFICIT) AT END OF YEAR</b>	<b>\$ 164,264</b>	<b>\$ 193,204</b>	<b>\$ 28,940</b>

The accompanying notes are an integral part of these component unit financial statements



NEZPIQUE DRAINAGE DISTRICT,  
JEFFERSON DAVIS PARISH, LOUISIANA

NOTES TO THE COMPONENT UNIT FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 1995

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Nezpique Drainage District, Jefferson Davis Parish, Louisiana was created by the Jefferson Davis Parish Police Jury under the authority provided by the provisions of Part 1, Chapter 7, Title 38 of the Louisiana Revised Statutes of 1950, as amended, and other constitutional and statutory authority supplemental thereto. The Nezpique Drainage District, Jefferson Davis Parish, Louisiana was created to open and maintain all natural drains in the district where drainage is accomplished through the natural force of gravity.

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities of state and local governmental entities. In November of 1984, the GASB issued a codification of governmental accounting and financial reporting standards. This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments.

A. Reporting Entity

GASB Codification Section 2100 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Oversight responsibility by the police jury is determined on the basis of the following criteria:

1. Financial Accountability
2. Appointment of a Voting Majority
3. Imposition of Will
4. Financial Benefit to or Burden on a Primary Government
5. Financial Accountability as a result of Fiscal Dependency

Because the police jury has financial accountability and they appointed a voting majority of the board of commissioners Nezpique Drainage District, Jefferson Davis Parish, Louisiana was determined to be a component unit of the Jefferson Davis Parish Police Jury, the governing body of the parish and the governmental body with oversight responsibility. The accompanying component unit financial statements present information only on the funds maintained by the district and do not present information on the police jury, the general governmental services provided by that governmental unit, or the governmental units that comprise the governmental reporting entity.

B. Fund Accounting

The accounts of the drainage district are organized on the basis of funds and an account group, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures. Revenues are accounted for in these individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The funds presented in the financial statements are described as follows:

1. Governmental Fund Type

General Fund

The General Fund is the general accounting fund of the gravity drainage district. It accounts for all financial resources, except for those required to be accounted for in other funds.

NEZPIQUE DRAINAGE DISTRICT,  
JEFFERSON DAVIS PARISH, LOUISIANA

NOTES TO THE COMPONENT UNIT FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 1995

Debt Service Fund

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Fund

The Capital Projects Fund accounts for financial resources used to construct and improve drainage facilities within the district.

2. Account Groups

The account groups are not funds. They are concerned only with the measurement of financial position and do not involve measurement of results of operations.

General Long-term Debt

Long-term liabilities expected to be financed from governmental funds are accounted for in the general long-term debt account group, not in the governmental funds.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. Measurable means that the amount of the transaction can be determined and available means that the amount of the transaction is collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all governmental fund type revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on long-term debt are recorded as a fund liability when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

1. Revenues

Ad valorem taxes are recorded in the year the taxes are assessed. Ad valorem taxes are assessed for the calendar year, become due on November 15th of each year, and become delinquent on December 31 st. The taxes are generally collected in December of the current year and January and February of the following year. Interest income represents amounts earned on certificates of deposits and insured money market accounts invested with financial institutions. Interest earned on certificates of deposit is recorded when the certificate matures and the interest is available. Interest earned on insured money market accounts is recorded when received. Intergovernmental revenue is recorded when received.

NEZPIQUE DRAINAGE DISTRICT,  
JEFFERSON DAVIS PARISH, LOUISIANA

NOTES TO THE COMPONENT UNIT FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 1995

2. Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized when due.

3. Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid and proceeds from the sale of bonds are accounted for as other financing sources (uses) and are recognized when the underlying events occur.

D. Budget Practices

The gravity drainage district did not adopt a budget, as required by R.S. 39:1308, for 1995. The gravity drainage district does not use encumbrance accounting.

E. Cash and Cash Equivalents

For reporting purposes, cash and cash equivalents include checking accounts and certificates of deposit (if applicable). Under state law, the gravity drainage district may deposit funds within a fiscal agent bank organized under the laws of the United States, or under the laws of the Jefferson Davis Parish Police Jury, or any other state in the union. Further, the drainage district may invest in time deposits or certificates of deposit of state banks organized under Louisiana Law and national banks having principle offices in Louisiana, or in obligations guaranteed by the federal government.

The Nezpique Drainage District, Jefferson Davis Parish, Louisiana had cash and cash equivalents totaling \$ 197,866 at December 31, 1995. Cash and cash equivalents are stated at cost which approximated market. These deposits must be, and are, secured under state law by federal deposit insurance or by the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times be equal to the amount on deposit with the bank. These pledged securities are held in the name of the pledging bank in a custodial bank that is mutually acceptable to the parties involved.

The following is a summary of cash and cash equivalents at December 31, 1995:

	FDIC/FSLIC Insured	Collateralized Insured
Demand Deposits	\$ 3,793	\$ -0-
Money Market Accounts	869	-0-
Time Deposits	<u>100,000</u>	<u>93,204</u>
<b>Totals</b>	<b><u>\$ 104,662</u></b>	<b><u>\$ 93,204</u></b>

F. Receivables

All receivables are reported at their net values, which is the gross receivable less the estimated portion that is expected to be uncollectible.

G. Fixed Assets

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. Plant, property, and equipment acquired or constructed for general governmental operations are recorded as expenditures in the fund making the expenditure and capitalized at cost in the General Fixed Assets Account Group. Nezpique Drainage District, Jefferson Davis Parish, Louisiana had no fixed assets at December 31, 1995.



NEZPIQUE DRAINAGE DISTRICT,  
JEFFERSON DAVIS PARISH, LOUISIANA

NOTES TO THE COMPONENT UNIT FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 1995

H. Investments

Under Louisiana Revised Statute 39:1221, the gravity drainage district may invest in certain securities. However, the Nezpique Drainage District, Jefferson Davis Parish, Louisiana chose not to invest in any securities.

G. Total Columns On Component Unit Financial Statements

The total columns on the statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

I. Fund Equity

Reservations of fund balances of governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. The General Fund of the Nezpique Drainage District, Jefferson Davis Parish, Louisiana has fund balance that is unreserved and undesignated; the Debt Service Fund has a fund balance that is reserved; and the Capital Projects Fund has a fund balance that is unreserved but designated for major construction projects.

J. Vacation and Sick Leave

The gravity drainage district has no policies related to vacation and sick leave. The board of commissioners of the district are not employees.

2. LEVIED TAXES

The following is a summary of authorized and levied ad valorem taxes:

	1995	
	Authorized Millage	Levied Millage
District Taxes:		
General Maintenance	20.71	20.71

3. GENERAL LONG-TERM DEBT

The drainage district issued general obligation bonds totaling \$420,000 in 1990, with principal payments due beginning in 1991. Long-term debt payable at December 31, 1995 is \$235,000 and is comprised of the following:

Payable At December 31, 1995	Date of Issue	Original Issue	Interest Rate	Final Payment Date	Interest To Maturity	Principal Outstanding
	October 1, 1990	\$ 420,000	7.0% - 7.5%	March 1, 2000	\$ 55,480	\$ 235,000

The annual requirements to amortize all bonds outstanding at December 31, 1995, including interest of \$ 55,480, are as follows:

<u>Year Ending December 31,</u>	<u>1995</u>
1996	57,605
1997	59,625
1998	56,250
1999	57,875
2000	59,125
Totals	\$ 290,480

NEZPIQUE DRAINAGE DISTRICT,  
JEFFERSON DAVIS PARISH, LOUISIANA

NOTES TO THE COMPONENT UNIT FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 1995

These general obligation bonds were issued to construct drainage work in and for the drainage district and are funded by a property tax on all taxable property within the drainage district.

4. LITIGATION AND CLAIMS

There is no litigation pending against the drainage district at December 31, 1995.

5. COMPENSATION OF COMMISSIONERS

As provided by Louisiana R.S. 38:1794, the board members may receive \$65 per diem for each board meeting they attend. The board of commissioners began receiving the per diem in March 1991.

6. OPERATING LEASES

The drainage district had no operating leases at December 31, 1995.

7. RELATED PARTY TRANSACTIONS

The drainage district had no related party transactions during the year of 1995.

8. SUBSEQUENT EVENTS

There were no subsequent events involving the Nezpique Drainage District, Jefferson Davis Parish, Louisiana that came to our attention as of the report date.

9. MANAGEMENT LETTER

A management letter was not prepared for the Nezpique Drainage District, Jefferson Davis Parish, Louisiana. Accordingly, no management letter will accompany this report.

# FREDERICK, NORTON, ROBERT & SCHULTHESS

CERTIFIED PUBLIC ACCOUNTANTS  
(A PROFESSIONAL CORPORATION)

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*Members:*

*American Institute of Certified Public Accountants  
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
STRUCTURE BASED ON AN AUDIT OF THE COMPONENT UNIT  
FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Honorable Board of Commissioners  
Nezpique Drainage District,  
Jefferson Davis Parish, Louisiana

We have audited the component unit financial statements of the Nezpique Drainage District, Jefferson Davis Parish, Louisiana for the year ended December 31, 1995, and have issued our report thereon dated June 10, 1996.

We have conducted our audit in accordance with generally accepted auditing standards and Standards for Audits of Governmental Organizations, Programs, Activities, and Functions, promulgated by the United States General Accounting Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatements.

In planning and performing our audit of the component unit financial statements of the Nezpique Drainage District, Jefferson Davis Parish, Louisiana for the year ended December 31, 1995, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide assurance on the internal control structure.

The management of the Nezpique Drainage District, Jefferson Davis Parish, Louisiana is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objective of an internal control structure is to provide management with a reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of the inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

Cash, Accounts Receivable, Revenues, and Expenditures.

For all the control categories listed above, we obtained an understanding of the design of the relevant policies and procedures



and whether they have been placed in operation, and we assessed control risk.

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We noted a certain matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the component unit financial statements.

We find that the limited number of personnel involved in the accounting system limits the segregation of duties consistent with appropriate control objectives creating a reportable condition. Due to the limited number of people it is impossible to implement the required segregation of duties consistent with appropriate control objectives without hiring additional personnel which becomes cost prohibitive.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the component unit financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

This report is intended for the information of the board of commissioners and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.



FREDERICK, NORTON, ROBERT & SCHULTNESS  
June 10, 1996

# FREDERICK, NORTON, ROBERT & SCHULTHESS

CERTIFIED PUBLIC ACCOUNTANTS  
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
LAWS AND REGULATIONS BASED ON AN AUDIT  
OF COMPONENT UNIT FINANCIAL STATEMENTS  
IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

To the Honorable Board of Commissioners  
Nezpique Drainage District,  
Jefferson Davis Parish, Louisiana

We have audited the financial statements of the Nezpique Drainage District, Jefferson Davis Parish, Louisiana for the year ended December 31, 1995, and have issued our report thereon dated June 10, 1996.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, promulgated by the United States General Accounting Office. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Nezpique Drainage District, Jefferson Davis Parish, Louisiana is the responsibility of management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws and regulations. However, it should be noted that our objective was not to provide an opinion on overall compliance with such provisions.

The results of our test indicate that, with respect to the items tested, the Nezpique Drainage District, Jefferson Davis Parish, Louisiana complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested nothing came to our attention that caused us to believe that the gravity drainage district had not complied, in all material aspects, with those provisions.

This report is intended for the information of the board of commissioners and the Legislative Auditor. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Frederick, Norton, Robert & Schulthess*

FREDERICK, NORTON, ROBERT & SCHULTHESS

June 10, 1996