

1435

RECEIVED
04 MAY 19 AM 11:11

**PRAIRIE GREGG GRAVITY
DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2**
Vermilion Parish, Louisiana

Financial Report

Year Ended December 31, 2003

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 5 26 04

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)	
Statement of net assets	5
Statement of activities	6
FUND FINANCIAL STATEMENTS (FFS)	
Comparative balance sheet - governmental fund	8
Reconciliation of the governmental fund balance sheet to the statement of net assets	9
Comparative statement of revenues, expenditures, and changes in fund balances- governmental fund	10
Reconciliation of the statement of revenues, expenditures, and changes in fund balance of the governmental fund to the statement of activities	11
Notes to basic financial statements	12-22
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedule: General Fund	24
SUPPLEMENTARY INFORMATION	
COMPLIANCE AND INTERNAL CONTROL	
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	27-28
Summary schedule of current and prior year audit findings and corrective action plan	29-30

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Russell F. Champagne, CPA*
Victor R. Slaven, CPA*
Conrad O. Chapman, CPA*
P. Troy Courville, CPA*
Gerald A. Thibodeaux, Jr., CPA*

P.O. Box 1055
Abbeville, LA 70511

Phone (337) 893-7944
Fax (337) 893-7946

WEB SITE:
WWW.KCSRPCAS.COM

Robert S. Carter, CPA
Allen J. LaBry, CPA
Harry J. Ciofalo, CPA
Penny Angelle Scruggins, CPA
Christine L. Cousin, CPA
Mary T. Thibodeaux, CPA
Kelly M. Doucet, CPA
Kenneth J. Rachal, CPA
Cheryl L. Bartley, CPA, CVA

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

* A Professional Accounting Corporation

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Prairie Gregg Drainage District
and Sub Drainage District #2
Vermilion Parish, Louisiana

We have audited the accompanying financial statements of the governmental activities and major fund of the Prairie Gregg Gravity Drainage District and Sub Drainage District #2, (the Drainage District), a component unit of the Vermilion Parish Police Jury, as of and for the year ended December 31, 2003, which collectively comprise the Drainage District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Drainage District'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 major fund of the Drainage District, as of December 31, 2003, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the financial statements, the Drainage District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, Statement No. 37, Basic Financial Statements - And Management's Discussion and Analysis - For State and Local Governments: Omnibus, Statement No. 38, Certain Financial Statement Note Disclosures, and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements. This results in a change in the format and content of the financial statements.

183 South Beadle Road
Lafayette, LA 70508
Phone (337) 232-4141
Fax (337) 232-8660

113 East Bridge Street
Breaux Bridge, LA 70517
Phone (337) 332-4020
Fax (337) 332-2867

133 East Waddil
Marksville, LA 71351
Phone (318) 253-9252
Fax (318) 253-8681

1234 David Drive, Suite 105
Morgan City, LA 70380
Phone (985) 384-2020
Fax (985) 384-3020

408 W. Cotton Street
Ville Platte, LA 70586
Phone (337) 363-2792
Fax (337) 363-3049

332 W. Sixth Avenue
Oberlin, LA 70655
Phone (337) 639-4737
Fax (337) 639-4568

200 South Main Street
Abbeville, LA 70510
Phone (337) 893-7944
Fax (337) 893-7946

In accordance with Government Auditing Standards, we have also issued a report dated March 24, 2004, on our consideration of the Drainage District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Drainage District has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined necessary to supplement, although not required to be part of, the basic financial statements.

The accompanying financial information listed as "Supplementary Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Prairie Gregg Gravity Drainage District and Sub Drainage District #2. 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.

The financial information for the preceding year, which is included for comparative purposes, was taken from the financial report for that year in which we expressed an unqualified opinion on the general purpose financial statements of the Prairie Gregg Gravity Drainage District and Sub Drainage District #2.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
March 24, 2004

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

PRAIRIE GREGG GRAVITY DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2

Statement of Net Assets
December 31, 2003

	<u>Governmental Activities</u>
ASSETS	
Cash and interest-bearing deposits	\$ 89,624
Interest receivable	217
Due from other governmental units	319,105
Capital assets, net	<u>196,950</u>
Total assets	<u>605,896</u>
LIABILITIES	
Accounts and other payables	8,050
Long-term liabilities:	
Due within one year	63,986
Due in more than one year	<u>21,063</u>
Total liabilities	<u>93,099</u>
NET ASSETS	
Invested in capital assets, net of related debt	107,311
Unrestricted	<u>405,486</u>
Total net assets	<u>\$ 512,797</u>

The accompanying notes are an integral part of the basic financial statements.

PRAIRIE GREGG GRAVITY DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2

Statement of Activities
For the Year Ended December 31, 2003

Activities	Program Revenues		Net (Expense) Revenues and Changes in Net Assets
Governmental activities:	Charges for Services	Operating Grants and Contributions	Governmental Activities
Public works	\$ 351,678	\$ -	\$ (342,406)
Governmental activities:			
General revenues:			
Taxes:			
Property taxes, levied for general purposes			319,549
State revenue sharing			6,763
Interest and investment earnings			2,957
Miscellaneous			51
Total general revenues and transfers			329,320
Change in net assets			(13,086)
Net assets - January 1, 2003			525,883
Net assets - December 31, 2003			\$ 512,797

The accompanying notes are an integral part of the basic financial statements.

FUND FINANCIAL STATEMENTS (FFS)

PRAIRIE GREGG GRAVITY DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2

Comparative Balance Sheet - Governmental Fund
December 31, 2003 and 2002

	General Fund	
	2003	2002
ASSETS		
Cash and cash equivalents	\$ 89,624	\$ 115,495
Interest receivable	217	217
Ad valorem taxes receivable	315,819	319,707
Prepaid insurance	<u>3,286</u>	<u>3,287</u>
Total assets	<u>\$ 408,946</u>	<u>\$ 438,706</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 2,923	\$ 4,231
Payroll taxes payable	<u>537</u>	<u>609</u>
Total liabilities	<u>3,460</u>	<u>4,840</u>
Fund balance:		
Reserved for prepaids	3,286	3,287
Unreserved, undesignated	<u>402,200</u>	<u>430,579</u>
Total fund equity	<u>405,486</u>	<u>433,866</u>
Total liabilities and fund balance	<u>\$ 408,946</u>	<u>\$ 438,706</u>

The accompanying notes are an integral part of the basic financial statements.

PRAIRIE GREGG GRAVITY DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2

Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Assets
December 31, 2003

Total fund balance for the governmental fund at December 31, 2003	\$405,486
Total net assets reported for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Equipment net of \$408,833 accumulated depreciation	196,950
Long-term liabilities at December 31, 2003:	
Capital lease payable	(28,640)
Notes payable	(56,409)
Accrued interest payable	<u>(4,590)</u>
Total net assets of governmental activities at December 31, 2003	<u>\$512,797</u>

The accompanying notes are an integral part of the basic financial statements.

PRAIRIE GREGG GRAVITY DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2

Comparative Statement of Revenues, Expenditures, and Changes in Fund Balances-
Governmental Fund
For the Years Ended December 31, 2003 and 2002

	General Fund	
	2003	2002
Revenues:		
Taxes - ad valorem	\$ 319,549	\$ 340,678
Intergovernmental	6,763	6,902
Miscellaneous	12,280	15,298
Total revenues	338,592	362,878
Expenditures:		
Public works	366,972	329,223
Capital outlay	-	84,419
Total expenditures	366,972	413,642
Deficiency of revenues over expenditures	(28,380)	(50,764)
Other financing sources:		
Capital financing	-	38,856
Deficiency of revenues and other sources over expenditures	(28,380)	(11,908)
Fund balance, beginning	433,866	445,774
Fund balance, ending	\$ 405,486	\$ 433,866

The accompanying notes are an integral part of the basic financial statements.

PRIAIRE GREGG GRAVITY DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of the Governmental Fund
to the Statement of Activities
For the Year Ended December 31, 2003

Total net changes in fund balance at December 31, 2003 per Statement of Revenues, Expenditures and Changes in Fund Balances	\$(28,380)
The change in net assets reported for governmental activities in the statement of activities is different because:	
Add: Notes and capital lease principal retirement considered as an expenditure on Statement of Revenues and Expenditures and Changes in Fund Balance	60,123
Less: Depreciation expense for the year ended December 31, 2003	(48,692)
Add: Difference between interest on long-term debt on modified accrual basis versus interest on long-term debt on accrual basis	<u>3,863</u>
Total changes in net assets at December 31, 2003 per Statement of Activities	<u>\$(13,086)</u>

The accompanying notes are an integral part of the basic financial statements.

PRAIRIE GREGG GRAVITY DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2
Vermilion Parish, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Prairie Gregg Gravity Drainage District and Sub Drainage District #2 (the Drainage District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements the Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of these notes.

Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the industry audit guide, Audits of State and Local Governments.

The following is a summary of certain significant accounting policies:

A. Financial Reporting Entity

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) 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. Appointment of governing board
2. Designation of management
3. Ability to significantly influence operations
4. Accountability for fiscal matters
5. Scope of public service

Because the police jury created the District and appoints its board of commissioners, the Drainage District was determined to be a component unit of the Vermilion Parish Police Jury, the governing body of the parish and the governmental body with oversight responsibility. The accompanying financial statements present information only on the funds maintained by the Drainage District and do not present information on the police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the governmental reporting entity.

PRAIRIE GREGG GRAVITY DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Drainage District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients for goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

C. Fund Accounting

The accounts of the Drainage District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The Drainage District maintains only one fund. It is categorized as a governmental fund. 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 entity or meets the following criteria:

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

PRAIRIE GREGG DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

The major fund of the Drainage District is described below:

Governmental Fund -

General Fund

The General Fund is the general operating fund of the Drainage District. It is used to account for all financial resources except those required to be accounted for in another fund.

D. Measurement Focus/Basis of Accounting

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.

Measurement Focus

On the government-wide statement of net assets and the statement of activities, governmental activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. The governmental fund utilizes a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on its balance sheet. Their operating statement presents sources and uses of available spendable financial resources during a given period. This fund uses fund balance as its measure of available spendable financial resources at the end of the period.
- b. The government-wide financial statement utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery) and financial position. All assets and liabilities (whether current or noncurrent) associated with its activities are reported. Government-wide fund equity is classified as net assets.

PRAIRIE GREGG DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

Basis of Accounting

In the government-wide statement of net assets and statement of activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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 (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

E. Assets, Liabilities and Equity

Cash and interest-bearing deposits

For purposes of the statement of net assets, cash and interest-bearing deposits include all demand accounts and certificates of deposits of the Drainage District.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Drainage District maintains a threshold level of \$500 or more for capitalizing capital assets.

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.

PRAIRIE GREGG DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

Depreciation of all exhaustible capital assets is recorded as an expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Equipment 5-10 years

Compensated Absences

Full time employees of the Drainage District with more than one year of service are allowed two weeks of vacation leave each year; full-time employees with one year of service or less are allowed one week of vacation leave each year. Vacation leave does not accumulate from year to year. Full-time employees are allowed one day sick leave for each month worked beginning with the day they are employed. Employees can accumulate up to 148 days of sick leave, but the sick pay does not vest upon termination. Employees who resign, retire or are dismissed from employment shall not be paid for any accrued sick leave.

Equity Classifications

In the government-wide statements, equity is classified as net assets and displayed 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, 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 either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

PRAIRIE GREGG DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

F. Revenues, Expenditures, and Expenses

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by character and function. In the fund financial statements, expenditures are classified by character.

G. Budgetary Practices

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

1. The Drainage District's Secretary/Treasurer prepares a proposed budget and presents it to the Board of Commissioners prior to ninety days before the beginning of each fiscal year.
2. After the proposed budget is presented to the Board of Commissioners, the Board publishes the proposed budget and notifies the public that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held by the Board on the proposed budget at least ten days after publication of the call for the hearing.
4. Any changes in the proposed annual operating budget requires a majority vote of the Board of Commissioners.
5. No later than the last regular meeting of the fiscal year, the Board of Commissioners adopts the annual operating budget for the ensuing fiscal year.
6. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Budget appropriations lapse at year-end.

H. Use of Estimates

The preparation of financial statements in conformity with U.S. 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 expenditures during the reporting period. Actual results could differ from those estimates.

PRAIRIE GREGG DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

I. Report Classification

Certain previously reported amounts for the year ended December 31, 2002 have been reclassified to conform to the December 31, 2003 classifications.

J. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Drainage District as an extension of formal budgetary integration in the funds.

(2) Changes in Accounting Principles

For the year ended December 31, 2003, the Drainage District has implemented GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. GASB Statement No. 34 creates new basic financial statements for reporting on the Drainage District’s financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting, and fund financial statements which present information for individual major funds rather than by fund type which has been the mode of presentation in previously issued financial statements. The Drainage District also implemented GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, No. 37, Basic Financial Statements – And Management’s Discussion and Analysis – For State and Local Governments: Omnibus, No. 38, Certain Financial Statement Note Disclosures, and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

The implementation of GASB Statement No. 34 caused the opening fund balance at December 31, 2002 to be restated in terms of “net assets” as follows:

Total fund balance - Governmental Fund - at December 31, 2002		\$ 433,866
Add: Cost of capital assets at December 31, 2002	\$ 605,783	
Less: Accumulated depreciation at December 31, 2002	<u>(360,141)</u>	245,642
Less: Notes payable principal at December 31, 2002	(109,260)	
Capital lease principal at December 31, 2002	(35,912)	
Accrued interest payable at December 31, 2002	<u>(8,453)</u>	<u>(153,625)</u>
Net assets at December 31, 2002		<u>\$ 525,883</u>

PRAIRIE GREGG DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

(3) Cash and Interest-Bearing Deposits

Under state law, the Drainage District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Drainage District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 2003, the Drainage District has cash and interest-bearing deposits (book balances) totaling \$89,624, as follows:

Demand deposits	\$ 2,876
Interest-bearing demand and savings accounts	<u>86,748</u>
Total	<u>\$ 89,624</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. Deposit balances (bank balances) at December 31, 2003, are secured as follows:

Bank balances	<u>\$ 89,914</u>
Federal deposit insurance	89,914
Pledged securities (Category 3)	<u>-</u>
Total federal deposit insurance and pledged securities	<u>\$ 89,914</u>

Pledged securities in Category 3 includes uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Drainage District's name. Even though the pledged securities are considered uncollateralized (Category 3), Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Drainage District that the fiscal agent has failed to pay deposited funds upon demand.

PRAIRIE GREGG DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

(4) Capital Assets

Capital asset balances and activity for the year ended December 31, 2003 is as follows:

	<u>Balance</u> 01/01/03	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 12/31/2003
Capital assets not being depreciated:				
Equipment	\$ 605,783	\$ -	\$ -	\$ 605,783
Less accumulated depreciation:				
Equipment	<u>360,141</u>	<u>48,692</u>	<u>-</u>	<u>408,833</u>
Net capital assets	<u>\$ 245,642</u>	<u>\$ 48,692</u>	<u>\$ -</u>	<u>\$ 196,950</u>

Depreciation expense of \$48,692 was charged to the public works function.

(5) Accounts, Salaries, and Other Payables

The accounts, salaries, and other payables consisted of the following at December 31, 2003:

Accounts	\$ 2,923
Salaries payable	537
Accrued interest	<u>4,590</u>
Totals	<u>\$ 8,050</u>

(6) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied in November 15 and are actually billed to the taxpayers in December. Billed taxes are due by December 31, becoming delinquent on January 1 of the following year.

Tax revenues are recognized in the year they are billed.

The taxes are based on assessed values determined by the Tax Assessor of Vermilion Parish and are collected by the Sheriff. The taxes are remitted to the Drainage District net of deductions for Pension Fund Contributions.

For the year ended December 31, 2003, taxes of 30.07 mills were levied on property with net assessed valuations totaling \$10,974,270 and were dedicated to paying the administrative, operations and maintenance expenditures for the Drainage District.

Total taxes levied during 2003 were \$329,996. Taxes receivable at December 31, 2003 amounted to \$315,819.

PRAIRIE GREGG DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

(7) Compensation Paid Board of Commissioner

The schedule of compensation paid board of commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. The per diem paid to board members is included in the expenditures of the General Fund. Each member of the board receives \$60 for each day of attendance at meetings of the board. The schedule of compensation at December 31, 2002 and 2003 are as follows:

	2003	2002
J.C. Broussard	\$ 900	\$ 960
Mark Broussard	1,440	1,500
Marcy Hebert	-	480
Carroll Primeaux	1,500	1,500
H.L. Moss	1,260	1,380
Emile Thibodeaux	1,500	1,140
Willie Morgan	420	-
Total	\$7,020	\$6,960

(8) Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the Drainage District for the year ended December 31, 2003:

Balance, January 1, 2003	\$145,172
Deletions	(60,123)
Balance, December 31, 2003	\$ 85,049

PRAIRIE GREGG DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

The annual requirements to amortize all debt outstanding at December 31, 2003, including interest payments of \$5,758 are as follows:

<u>Year Ending December 31,</u>	<u>Notes Payable</u>	<u>Capital Lease</u>
2004	\$ 59,969	\$ 8,606
2005	-	8,606
2006	-	8,606
2007	-	5,020
	<u>\$ 59,969</u>	<u>\$ 30,838</u>

(9) Leases

The District entered into an operating lease for the use of a John Deere 6420 utility tractor, a John Deere MX10 cutter, and a diamond side boom mower. The lease was entered into on May 30, 2002, and has a two-year term ending on June 30, 2004. Total expenditures for this lease totaled \$19,826 for the year ended December 31, 2003. The future minimum lease payments for this lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2004	<u>\$ 8,245</u>

(10) Litigation

There was no litigation pending against the Drainage District at December 31, 2003.

**REQUIRED
SUPPLEMENTARY INFORMATION**

PRAIRIE GREGG GRAVITY DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2
General Fund

Budgetary Comparison Schedule
For the Year Ended December 31, 2003
With Comparative Actual Amounts for the Year Ended December 31, 2002

	2003			Variance - Favorable (Unfavorable)	2002 Actual
	Budget		Actual		
	Original	Final			
Revenues:					
Taxes - ad valorem	\$ 351,745	\$ 323,437	\$ 319,549	\$ (3,888)	\$ 340,678
Intergovernmental -					
State revenue sharing	6,800	4,462	6,763	2,301	6,902
Miscellaneous -					
Interest	2,000	1,698	2,957	1,259	3,853
Other sources	-	9,324	9,323	(1)	11,445
Total revenues	<u>360,545</u>	<u>338,921</u>	<u>338,592</u>	<u>(329)</u>	<u>362,878</u>
Expenditures:					
Current -					
Public works -					
Advertising	300	-	-	-	363
Auto and truck	7,600	5,550	5,080	470	4,760
Board member fees	7,200	7,140	7,020	120	6,960
Fuel, oil and lubricants	12,000	14,626	13,444	1,182	11,014
Insurance - group	52,862	51,832	51,327	505	43,356
Insurance	20,830	16,027	17,623	(1,596)	22,035
Interest	7,119	-	8,453	(8,453)	11,321
Lease payments	28,401	28,432	19,826	8,606	11,546
Miscellaneous	2,000	566	536	30	3,139
Office supplies	600	163	200	(37)	473
Per diem and travel	3,400	3,341	3,340	1	2,702
Principal payment	52,849	59,970	60,123	(153)	52,234
Professional fees	3,000	1,675	1,675	-	4,226
Rent, repairs and maintenance	21,260	42,106	42,586	(480)	21,691
Salaries	126,600	120,078	121,668	(1,590)	120,540
Supplies	2,500	2,717	2,832	(115)	2,359
Taxes and licenses	10,000	9,484	9,764	(280)	9,338
Utilites	1,500	1,465	1,475	(10)	1,166
Capital outlay	-	-	-	-	84,419
Total expenditures	<u>360,021</u>	<u>365,172</u>	<u>366,972</u>	<u>(1,800)</u>	<u>413,642</u>
Excess (deficiency) of revenues over expenditures	524	(26,251)	(28,380)	(2,129)	(50,764)
Other Financing Sources:					
Capital financing	-	-	-	-	38,856
Excess (deficiency) of revenue and other financing sources over expenditures	524	(26,251)	(28,380)	(2,129)	(11,908)
Fund balance, beginning	<u>433,866</u>	<u>433,866</u>	<u>433,866</u>	-	<u>445,774</u>
Fund balance, ending	<u>\$ 434,390</u>	<u>\$ 407,615</u>	<u>\$ 405,486</u>	<u>\$ (2,129)</u>	<u>\$ 433,866</u>

SUPPLEMENTARY INFORMATION

**COMPLIANCE
AND
INTERNAL CONTROL**

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Russell F. Champagne, CPA*
Victor R. Slaven, CPA*
Conrad O. Chapman, CPA*
P. Troy Courville, CPA*
Gerald A. Thibodeaux, Jr., CPA*

P.O. Box 1055
Abbeville, LA 70511

Phone (337) 893-7944
Fax (337) 893-7946

WEB SITE:
WWW.KCSRCPAS.COM

MEMBER OF:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Robert S. Carter, CPA
Allen J. LaBry, CPA
Harry J. Clostio, CPA
Penny Angelle Scruggins, CPA
Christine L. Cousin, CPA
Mary T. Thibodeaux, CPA
Kelly M. Doucet, CPA
Kenneth J. Rachal, CPA
Cheryl L. Bartley, CPA, CVA

* A Professional Accounting Corporation

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

Board of Commissioner
Prairie Gregg Gravity Drainage District
and Sub Drainage District #2
Vermilion Parish, Louisiana

We have audited the financial statements of the Prairie Gregg Gravity Drainage District and Sub Drainage District #2, a component unit of the Vermilion Parish Police Jury as of and for the year ended December 31, 2003, and have issued our report thereon dated March 24, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Drainage District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan as item 03-2(C).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Drainage District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Drainage District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying summary schedule of current and prior year audit findings and corrective action plan at item 03-1(IC).

183 South Beadle Road
Lafayette, LA 70508
Phone (337) 232-4141
Fax (337) 232-8660

113 East Bridge Street
Breaux Bridge, LA 70517
Phone (337) 332-4020
Fax (337) 332-2867

133 East Waddil
Marksville, LA 71351
Phone (318) 253-9252
Fax (318) 253-8681

1234 David Drive, Suite 105
Morgan City, LA 70380
Phone (985) 384-2020
Fax (985) 384-3020

408 W. Cotton Street
Ville Platte, LA 70586
Phone (337) 363-2792
Fax (337) 363-3049

332 W. Sixth Avenue
Oberlin, LA 70655
Phone (337) 639-4737
Fax (337) 639-4568

200 South Main Street
Abbeville, LA 70510
Phone (337) 893-7944
Fax (337) 893-7946

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described in the accompanying schedule of current and prior year audit findings and corrective action plan at Item 03-1(IC) is a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
March 24, 2004

PRAIRIE GREGG GRAVITY DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2
Vermilion Parish, Louisiana

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan
Year Ended December 31, 2003

Ref. No.	Fiscal Year Finding Initially Occurred	Description of finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
CURRENT YEAR (12/31/03) --						
<u>Internal Control:</u>						
03-1(IC)	Unknown	Due to the small number of employees, the Drainage District did not have adequate segregation of functions within the accounting system.	N/A	No response is considered necessary.	Richard Dubois	N/A
<u>Compliance</u>						
03-2(C)	12/31/2003	The Drainage District is in violation of LSA-RS 42:283 - 42:286 which establish specific reporting requirements that should be filed with the governing authority. The Drainage District did not report their payroll at 12/31/03 to the Vermilion Parish Police Jury.	No	The Drainage District will turn in their payroll to the Vermilion Parish Police Jury at year end.	Richard Dubois	12/31/2004
PRIOR YEAR (12/31/02)						
<u>Internal Control:</u>						
02-1(IC)	Unknown	Due to the small number of employees, the Library did not have adequate segregation of functions within the accounting system.	N/A	No response is considered necessary.	Richard Dubois	N/A

(Continued)

PRAIRIE GREGG GRAVITY DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2
Vermilion Parish, Louisiana

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan (Continued)
Year Ended December 31, 2003

Ref. No.	Fiscal Year Finding Initially Occurred	Description of finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
PRIOR YEAR (12/31/02)						
<u>Compliance</u>						
02-2(IC)	12/31/2002	The Drainage District is in violation of LSA-RS 42:283 - 42:286 which establish specific reporting requirements that should be filed with the governing authority. The Drainage District did not report in their payroll at 12/31/03 to the Vermilion Parish Police Jury.	No	The Drainage District will turn in their payroll to the Vermilion Parish Police Jury at year end.	Richard Dubois	12/31/2003
02-3(IC)	12/31/2002	The Drainage District should have amended the budget in accordance with LSA-RS 39:1309.	No	The Drainage District will take measures to insure that they are not in violation of LSA-RS 39:1309.	Richard Dubois	12/31/2003