

Financial Report

Lafourche Parish Drainage District No. 1

Galliano, Louisiana

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 8-4-04

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December 31, 2003

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FINANCIAL SECTION



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners,
Lafourche Parish Drainage District No. 1,
Galliano, Louisiana.

We have audited the accompanying basic financial statements of the Lafourche Parish Drainage District No. 1, (the District), a component unit of the Lafourche Parish Council, State of Louisiana, as of and for the year ended December 31, 2003, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the Lafourche Parish Drainage District No. 1, as of December 31, 2003, and the changes in financial position and the budgetary comparison for the District for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 b) to the basic financial statements, the District has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments, as of January 1, 2003.

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1340 West Tunnel Blvd., Suite 430
P.O. Box 2168
Houma, LA 70361-2168
Phone (985) 868-0139
Fax (985) 879-1949

Certified Public Accountants | Consultants
A Limited Liability Company | P.O. Box 60600
New Orleans, LA 70160-0600
Heritage Plaza, 17th Floor
Phone (504) 831-4949
Fax (504) 833-9093

507-d St. Philip Street
P.O. Box 1205
Thibodaux, LA 70302-1205
Phone (985) 447-5243

Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statement but is 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.

In accordance with Government Auditing Standards, we have also issued our report dated March 22, 2004 on our consideration of the Lafourche Parish Drainage District No. 1'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.

Bougeois Bennett, L.L.C.

Certified Public Accountants.

Thibodaux, Louisiana,
March 22, 2004.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lafourche Parish Drainage District No. 1

The Management's Discussion and Analysis of the Lafourche Parish Drainage District No. 1's (the District) financial performance presents a narrative overview and analysis of the District's financial activities for the year ended December 31, 2003. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The District's assets exceeded its liabilities at the close of fiscal year 2003 by \$833,443 (net assets), which represents a 6.13% increase from last fiscal year.

The District's revenue in the general fund increased \$30,493 (or 20.49%) primarily due to an increase in the amount of collections for ad valorem taxes due to new industry and construction in Lafourche Parish.

The District's expenditures in the general fund increased \$28,706 (or 28.02%) primarily due to repairs and maintenance to roads, levees and pump stations.

The District closed out the Special Revenue fund in 2003. The District did not have a deficit fund balance as of December 31, 2003.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's annual report consists of four parts: (1) management's discussion and analysis (this section) (2) basic financial statements (3) the optional section that presents other supplementary information and (4) various governmental compliance reports and schedules by certified public accountants and management.

The basic financial statements include two kinds of statements that present different views of the District:

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business. The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The statement of activities presents information showing how the District's net assets change during

each fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs regardless of the timing related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The governmental activity of the District is public works which is comprised of providing drainage improvements throughout Lafourche Parish.

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. At the end of December 31, 2003, the District has one governmental fund, the General Fund. The Special Revenue fund was closed out during the year.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains one individual governmental fund, the General Fund, at December 31, 2003. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Special Revenue Fund. The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The Special Revenue Fund was closed effective January 1, 2003 therefore, a budgetary comparison statement has not been presented. The basic governmental fund financial statements can be found on pages 8 - 10 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provide in the government-wide and fund financial statements. The notes to the financial statements can be found in Exhibit D of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. As of December 31, 2003, assets exceeded liabilities by \$833,443. Since this is the first year to report all activities on the accrual basis of accounting, a comparison to the prior year is not possible. However, in future years, this section will explain the differences between the current and prior-year assets, liabilities, and changes in net assets.

Condensed Statements of Net Assets

Current and other assets	<u>\$ 1,020,002</u>
Current liabilities	<u>186,559</u>
Net Assets - unrestricted	<u><u>\$ 833,443</u></u>

Investments represent 83.08% of total assets and are comprised of certificates of deposit. Receivables for ad valorem taxes and state revenue sharing relating to taxes assessed in November 2003 total \$169,690 or 16.64% of total assets. Investments and receivables are assets available for spending.

Governmental Activities

Again, because this is the first year to report governmental activities on the accrual basis of accounting, a comparison to the prior year is not possible. However, in next year's discussion this section will show a condensed financial comparison of revenues and expenses and provide explanations for significant differences. Governmental activities increased the District's net assets by \$48,170. Key elements of this increase are as follows:

Condensed Changes in Net Assets

Revenues:	
Ad valorem taxes	146,073
Intergovernmental	14,810
Miscellaneous	18,435
Total revenues	<u>179,318</u>
Expenses:	
General government	10,723
Public works	120,425
Total expenses	<u>131,148</u>
Increase in net assets	48,170
Net assets beginning of year	785,273
Net assets end of year	<u><u>\$ 833,443</u></u>

For the most part, increases in total revenues is due to an overall increase in parish-wide collection of taxes due to new industry and construction in Lafourche Parish and increases in expenses relates to more repairs and maintenance for pump and drainage.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the District's governmental fund, the general fund, reported ending fund balance of \$833,433, an increase of \$48,170 in comparison with the prior year and is available for spending at the District's discretion. The key factor of this increase was largely due to an increase in the collection of ad valorem tax revenues.

General Fund Budgetary Highlights

The budget was amended one time during the year. The primary reasons for amending the budget were to prevent compliance violations under state law. The major differences between the original General Fund budget and the final amended budget were as follows:

Revenues

- The District increased interest revenue due to higher interest rates than expected, resulting in a higher rate of return.

Expenditures

- The District reduced repairs and maintenance by \$39,850 as the District's drainage and levee repairs were less than anticipated.

During the year, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Directors considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

- The Ad Valorem Tax revenue budgeted represents the estimated amount of the November 2003 assessment, which the District will receive, for the most part, in January 2004.
- Salaries are based on the actual personnel needed to conduct the District's services.
- Significant repairs and maintenance expenditures are planned for roads, levees and pump stations.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Board of Directors of the Lafourche Parish Drainage District No. 1, Galliano, Louisiana 70354.

**STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET**

Lafourche Parish Drainage District No. 1

December 31, 2003

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets					
Cash	\$ 2,860	\$ -	\$ 2,860	\$ -	\$ 2,860
Investments	847,452	-	847,452	-	847,452
Receivables - taxes	17,003	-	17,003	-	17,003
Due from other governmental units	152,687	-	152,687	-	152,687
Total assets	\$ 1,020,002	\$ -	\$ 1,020,002	\$ -	\$ 1,020,002
Liabilities					
Accounts payable	\$ 16,870	-	16,870	-	\$ 16,870
Deferred revenue	169,689	-	169,689	-	169,689
Total liabilities	186,559	-	186,559	-	186,559
Fund Balances/Net Assets					
Fund balances - unreserved	833,443	-	833,443	(833,443)	-
Total liabilities and fund balances	\$ 1,020,002	\$ -	\$ 1,020,002		
Net assets - unrestricted				833,443	833,443
Total net assets				\$ 833,443	\$ 833,443

See notes to financial statements.

**STATEMENT OF ACTIVITIES AND STATEMENT OF
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

Lafourche Parish Drainage District No. 1

For the year ended December 31, 2003

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>	<u>Adjustments (Exhibit D)</u>	<u>Statement of Activities</u>
Revenues					
Taxes	\$ 146,073		\$ 146,073		\$ 146,073
Intergovernmental:					
State of Louisiana:					
State revenue sharing	14,810		14,810		14,810
Miscellaneous:					
Interest	18,383		18,383		18,383
Other Income	52		52		52
Total revenues	179,318		179,318		179,318
Expenditures					
Current:					
General government:					
Ad valorem tax adjustment	5,850		5,850		5,850
Ad valorem tax deduction	4,873		4,873		4,873
Total general government	10,723		10,723		10,723
Public works:					
Personal services	14,856		14,856		14,856
Supplies and materials	280		280		280
Other services and charges	7,746		7,746		7,746
Repairs and maintenance	97,543		97,543		97,543
Total public works	120,425		120,425		120,425
Total expenditures/expenses	131,148		131,148		131,148
Excess of Revenues over Expenditures	48,170		48,170		48,170
Other Financing Source (Use)					
Transfer	3,533	\$ (3,533)	-		-
Excess (Deficiency) of Revenues over Expenditures and Other Financing Use/ Change in Net Assets	51,703	(3,533)	48,170	-	48,170
Fund Balances/Net Assets					
Beginning of year	781,740	3,533	785,273	-	785,273
End of year	\$ 833,443	\$ -	\$ 833,443	\$ -	\$ 833,443

See notes to financial statements.

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND**

Lafourche Parish Drainage District No. 1

For the year ended December 31, 2003

	Budgeted Amounts		Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 135,000	\$ 134,000	\$ 146,073	\$ 12,073
Intergovernmental:				
State of Louisiana:				
State revenue sharing	14,800	14,800	14,810	10
Miscellaneous:				
Interest	15,000	18,000	18,383	383
Other	-	-	52	52
Total revenues	<u>164,800</u>	<u>166,800</u>	<u>179,318</u>	<u>12,518</u>
Expenditures				
Current:				
General government:				
Ad valorem tax adjustment	2,000	2,000	5,850	(3,850)
Ad valorem tax deduction	<u>2,000</u>	<u>2,000</u>	<u>4,873</u>	<u>(2,873)</u>
Total general government	<u>4,000</u>	<u>4,000</u>	<u>10,723</u>	<u>(6,723)</u>
Public works:				
Personal services	14,000	14,000	14,856	(856)
Supplies and materials	500	320	280	40
Other services and charges	26,800	24,470	7,746	16,724
Repairs and maintenance	<u>120,000</u>	<u>80,150</u>	<u>80,673</u>	<u>(523)</u>
Total public works	<u>161,300</u>	<u>118,940</u>	<u>103,555</u>	<u>15,385</u>
Total expenditures	<u>165,300</u>	<u>122,940</u>	<u>114,278</u>	<u>8,662</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ (500)</u>	<u>\$ 43,860</u>	<u>\$ 65,040</u>	<u>\$ 21,180</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS**Lafourche Parish Drainage District No. 1**

December 31, 2003

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Lafourche Parish Drainage District No. 1 (the District) conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of significant accounting policies:

a) Reporting Entity

The District is a component unit of the Lafourche Parish Council, (the Council). The District has reviewed all of its activities and determined that there are no potential component units, which should be included in its financial statements.

b) Change in Accounting

In June 1999, GASB unanimously approved Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. One of the more significant changes in Statement No. 34 include for the first time a Management’s Discussion and Analysis (MD&A) section providing an analysis of the District’s overall financial position and results of operations and financial statements prepared using full accrual accounting for all of the District’s activities. The District has presented Management’s Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements. Other changes are also reflected in the accompanying basic financial statements (including notes to financial statements). The District has elected to implement the general provisions of Statement No. 34 in the current year.

For the year ended December 31, 2003, the District also implemented the following GASB Standards:

- Statement 37 – Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Change in Accounting (Continued)

- Statement 38 – Certain Financial Statement Disclosures
- Interpretation No. 6 – Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements

The transition from governmental fund balance to net assets for December 31, 2002, did not have a material effect on fund balance.

c) Basis of Presentation

The District's basic financial statements consist of the government-wide statements on all activities of the District and the governmental fund financial statements.

Government-wide Financial Statements:

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities for all activities of the District. The government-wide presentation focuses primarily on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues.

Fund Financial Statements:

The fund financial statements are very similar to the traditional government fund statements as presented by governments prior to the issuance of Statement No. 34. The daily accounts and operations of the District continue to be organized on the basis of a fund and accounts groups, each of which is considered a separate accounting entity. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. Government resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. On the following page are the Governmental Funds of the District during the year:

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Basis of Presentation (Continued)

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

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted to expenditures for specified purposes.

d) Measurement Focus and 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.

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 in the year for which they are levied.

Fund Financial Statements:

All governmental funds 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 (revenues and other financing sources) and decreases (expenditures and other uses) in net current assets. Governmental funds are maintained on the modified accrual basis of accounting.

Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government's availability criteria (susceptible to accrual). Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For this purpose, the District

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Measurement Focus and Basis of Accounting (Continued)

considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Ad valorem taxes and the related state revenue sharing (Intergovernmental revenue) are recognized as revenue in the period for which levied, thus the 2003 property taxes which are being levied to finance the 2004 budget will be recognized as revenue in 2004. The 2003 tax levy is recorded as deferred revenue in the District's 2003 financial statements. Charges for services are recorded when earned since they are measurable and available. Miscellaneous revenues are recorded as revenues when received in cash by the District because they are generally not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Allocations of cost such as depreciation are not recognized in the governmental funds.

e) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

f) Operating Budgetary Data

As required by the Louisiana Revised Statutes 39:1303, the Board of Commissioners (the Board) adopted a budget for the District's General Fund. The Board, as allowed by state law, does not obtain public participation in the budget process. Any amendment involving the transfer of monies from one function to another or increases in expenditures must be approved by the Board. The District amended its General Fund budget once during the year. All budgeted amounts, which are not expended, or obligated through contracts, lapse at year-end.

The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Governmental Fund Type - General Fund is presented on the budgetary basis to provide a comparison of actual results with the budget. The major difference between the GAAP basis and budgetary basis is that expenditures are budgeted when paid by the District and are recorded on the modified accrual basis for report purposes.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Operating Budgetary Data (Continued)

The adjustments necessary to convert the results of operations for the year from the GAAP basis to the budgetary basis for the general fund are as follows.

	<u>Excess of Revenues Over Expenditures</u>
GAAP basis (as reported)	\$ 48,170
Adjustments:	
Expenditures:	
Reverse accrual of accounts payable	16,870
Budgetary basis	\$ 65,040

g) Accounts Receivable

The financial statements for the District contain no allowance for uncollectible accounts. Uncollectible amounts due for ad valorem taxes and other receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. These amounts are not considered to be material in relation to the financial position or operations of the funds.

h) Investments

Investments consist of certificates of deposit, which are stated at cost and approximate market value.

i) Vacation and Sick Leave

The District has no full-time employees. There is no accumulated unpaid vacation and sick leave at December 31, 2003.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Fund Equity

Government-wide Statements:

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets – 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, if any. At December 31, 2003 the District had no capital assets or outstanding borrowings.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions 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.”

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed. As of December 31, 2003 and for the year then ended, the District did not have or receive restricted net assets.

Fund Financial 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.

Note 2 - DEPOSITS

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States or any other federally insured investment, certificates of deposit of any bank domiciled or having a branch office in State of Louisiana, guaranteed investment contracts and investment grade (A-1/P-1) commercial paper of domestic corporations.

Note 2 - DEPOSITS (Continued)

State law requires deposits (cash and certificates of deposit) of all political subdivisions be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished, as security must be held by the political subdivision or with an unaffiliated bank or trust company for the account of the political subdivision.

Cash and deposits are categorized into three categories of credit risk.

Category 1 includes deposits covered by federal depository insurance or by collateral held by the District or its agent in the District's name.

Category 2 includes deposits covered by collateral held by the pledging financial institution's trust department or its agent in the District's name.

Category 3 includes deposits covered by collateral held by the pledging financial institution or its trust department or agents but not in the District's name and deposits which are uninsured or uncollateralized.

The year end balances of deposits are as follows:

	Bank Balances			Book Balance
	Category			
	1	2	3	
Cash	\$ 3,765	\$ -	\$ -	\$ 2,860
Investments:				
Certificates of deposit	<u>478,452</u>	<u>-</u>	<u>369,000</u>	<u>847,452</u>
Totals	<u>\$482,217</u>	<u>\$-</u>	<u>\$369,000</u>	<u>\$850,312</u>

At December 31, 2003, certificates of deposit in excess of the FDIC insurance were collateralized by securities held by unaffiliated banks for the account of the District. The Governmental Accounting Standards Board (GASB), which promulgates the standards for accounting and financial reporting for state and local governments, considers these securities uncollateralized. Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the

Note 2 - DEPOSITS (Continued)

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

Note 3 - PROPERTY TAXES

Property taxes are levied each November 1 on the assessed value listed as of the prior January 1 for all real property, merchandise and movable property located in the Parish. Assessed values are established by the Lafourche Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed for the list of January 1, 2000. Taxes are due and payable December 31 with interest being charged on payments after January 1. Taxes can be paid through the tax sale date, which is the last Wednesday in June. Properties for which the taxes have not been paid are sold for the amount of the taxes. The tax rate for the year ended December 31, 2003 was \$.83 per \$1,000 of assessed valuation on property within Drainage District No. 1 for the purpose of maintaining and operating drainage works within the District. As indicated in Note 1d, taxes levied November 1, 2003 are for budgeted expenditures in 2004 and will be recognized as revenues in 2004.

Note 4 - DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units at December 31, 2003 consisted of the following:

State of Louisiana - State revenue sharing	\$ 14,880
Lafourche Parish Tax Collector - December, 2003 collections remitted to the District in January, 2004:	
Ad valorem taxes	<u>137,807</u>
Total	<u>\$152,687</u>

Note 5 - CAPITAL ASSETS

All fixed assets are purchased for and maintained by the Council; accordingly, these assets are recorded in records of the Council.

Note 6 – TRANSFER

The transfer represents the District's net assets over liabilities in the Special Revenue Fund which was transferred into the General Fund, where upon these monies were used to finance current year expenditures.

Note 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. No settlements were made during the year that exceeded the District's insurance coverage.

Note 8 - COMPENSATION OF BOARD MEMBERS

The District did not pay per diem to any of its Board Members for the year ended December 31, 2003.

SUPPLEMENTARY INFORMATION SECTION



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the Board of Commissioners,
Lafourche Parish Drainage District No. 1,
Galliano, Louisiana.

Our report on our audit of the basic financial statements of the Lafourche Parish Drainage District No. 1 (the District) for the year ended December 31, 2003, appears on pages 1 and 2. That audit was conducted for the purpose of forming an opinion on such financial statements taken as a whole. The information contained in the schedules of revenues and expenditures and graphs of revenues and expenditures for the year ended December 31, 2003 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended December 31, 2003, taken as a whole.

We also have previously audited, 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, the balance sheets of Lafourche Parish Drainage District No. 1 as of December 31, 2002 and 2001, and the related statements of revenues, expenditures and changes in fund balance for each of the two years in the period ended December 31, 2002 (none of which is presented herein), and we expressed unqualified opinions on those financial statements. In our opinion, the information presented in the schedules of revenues and expenditures and graphs of revenues and expenditures for the years ended December 31, 2002 and 2001 is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

Thibodaux, Louisiana,
March 22, 2004.

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1340 West Tunnel Blvd., Suite 430
P.O. Box 2168
Houma, LA 70361-2168
Phone (985) 868-0139
Fax (985) 879-1949

Certified Public Accountants | P.O. Box 60600
Accountants | Consultants | New Orleans, LA 70160-0600
A Limited Liability Company | Heritage Plaza, 17th Floor
| Phone (504) 831-4949
| Fax (504) 833-9093

507-d St. Philip Street
P.O. Box 1205
Thibodaux, LA 70302-1205
Phone (985) 447-5243

**SCHEDULE OF GOVERNMENTAL FUND REVENUES
AND EXPENDITURES**

Lafourche Parish Drainage District No. 1

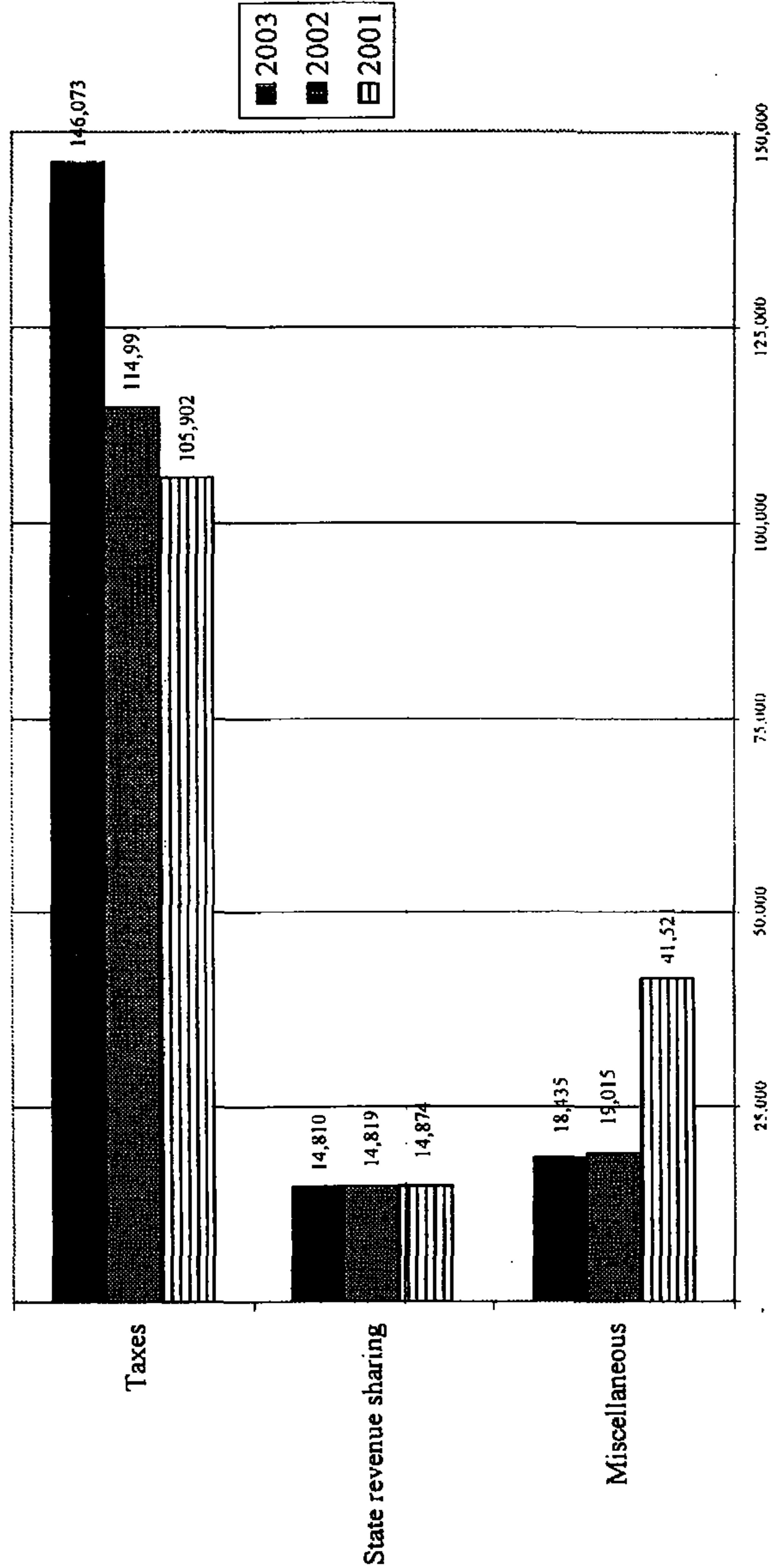
For the years ended December 31, 2003, 2002 and 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenues			
Taxes	\$ 146,073	\$ 114,991	\$ 105,902
State revenue sharing	14,810	14,819	14,874
Miscellaneous	18,435	19,015	41,521
Total revenues	<u>\$ 179,318</u>	<u>\$ 148,825</u>	<u>\$ 162,297</u>
Expenditures			
General government	\$ 10,723	\$ 5,439	\$ 8,993
Personal services	14,856	14,856	15,154
Supplies and materials	280	324	-
Other services and charges	7,746	7,887	16,159
Repairs and maintenance	97,543	39,486	42,080
Capital expenditures	-	34,450	12,150
Total expenditures	<u>\$ 131,148</u>	<u>\$ 102,442</u>	<u>\$ 94,536</u>

GOVERNMENTAL FUND REVENUES

Lafourche Parish Drainage District No. 1

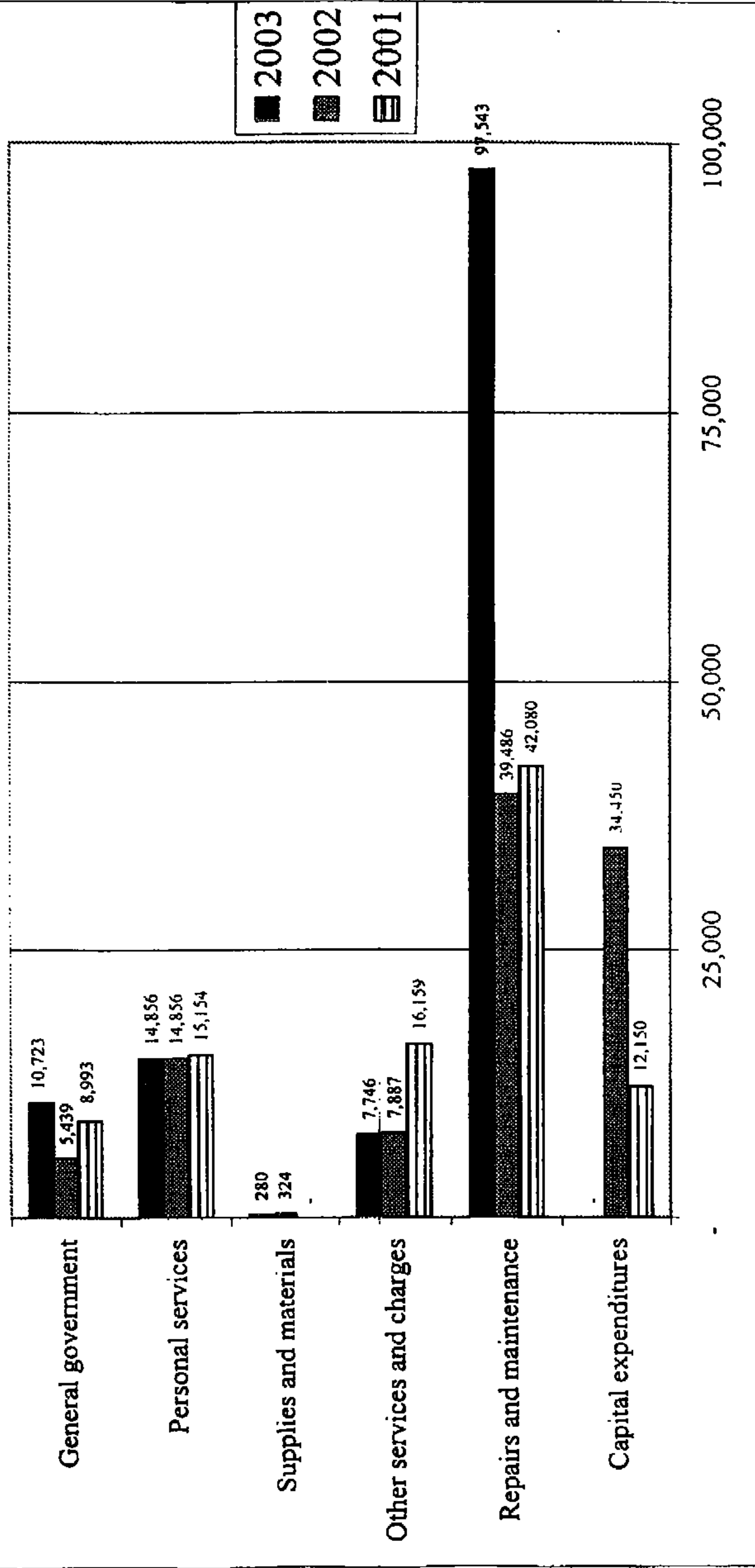
For the years ended December 31, 2003, 2002 and 2001



GOVERNMENTAL FUND EXPENDITURES

Lafourche Parish Drainage District No. 1

For the years ended December 31, 2003; 2002 and 2001



SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS



Bourgeois Bennett

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

To the Board of Commissioners,
Lafourche Parish Drainage District No.1,
Galliano, Louisiana.

We have audited the basic financial statements of the Lafourche Parish Drainage District No. 1 (the District), a component unit of the Lafourche Parish Council, as of and for the year ended December 31, 2003, and have issued our report thereon dated March 22, 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 District's basic 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, see the accompanying schedule of finding, item 03-2

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic 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

1340 West Turnel Blvd., Suite 430
P.O. Box 2168
Houma, LA 70361-2168
Phone (985) 868-0139
Fax (985) 879-1949

Certified Public Accountants | P.O. Box 60600
Accountants | Consultants | New Orleans, LA 70160-0600
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affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 03-1 and 03-2.

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 above is a material weakness.

This report is intended for the information of the Board of Commissioners, management, the State of Louisiana and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

Thibodaux, Louisiana,
March 22, 2004.

SCHEDULE OF FINDINGS

Lafourche Parish Drainage District No. 1

For the year ended December 31, 2003

Section I Summary of Auditor's Results

a) Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Reportable condition(s) identified that are not considered to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted? yes X no

b) Federal Awards

Lafourche Parish Drainage District No. 1 did not receive federal awards during the year ended December 31, 2003.

Section II Financial Statement Findings

Internal Control

03-1 **Criteria** - Internal controls should be in place that provides reasonable assurance that all transactions are being properly recorded in the accounting records.

Condition - All accounting functions of the District are performed by the Secretary/Treasurer. The Secretary/Treasurer also co-signs checks.

Questioned Costs - None

Context - Not applicable

Effect - Lack of segregation of duties.

SCHEDULE OF FINDINGS

(Continued)

Lafourche Parish Drainage District No. 1

For the year ended December 31, 2003

Section II Financial Statement Findings (Continued)

03-1 (Continued)

Cause - Secretary/Treasurer performs conflicting duties.

Recommendation - We recommend that a second board member be involved in the financial affairs of the District by reviewing bank statements and cancelled checks.

Views of Responsible officials of the Auditee when there is Disagreement with the Finding, to the Extent Practical - None.

Internal Control/Compliance

03-2 **Criteria** – Internal controls should be in place that provided reasonable assurance that all information is in an organized manner. Per Revised Statute 39:1212, all funds of the District shall be deposited daily whenever practicable.

Condition – The files were not organized and some checks were not deposited timely.

Questioned Costs – Not applicable.

Context – Systematic problem with the organization of audit files.

Effect – The information for the District is not readily available at the public's request. The District did not comply with state law.

Cause – The District does not have an organized filing system to maintain documentation. Deposits are not being made in a timely manner.

Recommendation – We recommend that controls be in place to ensure that a filing system be in place for easy access to documentation in an organized manner. Also, deposits should be made timely to allow the District to comply with state law.

Section III Federal Award Findings and Questioned Costs

Not applicable.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS

Lafourche Parish Drainage District No. 1

For the year ended December 31, 2003

Section I Internal Control and Compliance Material to the Basic Financial Statements

Internal Control

02-1 Recommendation - We recommended that a second board member be involved in the financial affairs of the District by co-signing checks, reviewing bank statements and cancelled checks, and approving other significant financial matters.

Management's Response - Unresolved, see finding 03-1 in the accompanying schedule of findings.

Compliance

No compliance findings material to the basic financial statements were noted during the audit for the year ended December 31, 2002.

Section II Internal Control and Compliance Material to Federal Awards

Lafourche Parish Drainage District No. 1 did not receive federal awards during the year ended December 31, 2002.

Section III Management Letter

A management letter was not issued in connection with the audit for the year ended December 31, 2002.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Lafourche Parish Drainage District No. 1

For the year ended December 31, 2003

Section I Internal Control and Compliance Material to the Basic Financial Statements

Internal Control

03-1 **Recommendation** - We recommend that a second board member be involved in the financial affairs of the District by reviewing bank statements and cancelled checks.

Management's Corrective Action - The Secretary/Treasurer reports to the Board quarterly on all financial activities. All significant financial matters are approved by the Board prior to disbursement of funds.

Internal Control and Compliance

03-2 **Recommendation** - We recommend that controls be in place to ensure that a filing system be in place for easy access to documentation in an organized manner. Also, deposits should be made timely to allow the District to comply with state law.

Management's Corrective Action - The District will maintain a filing system in a more orderly manner and the deposits will be made timely.

Section II Internal Control and Compliance Material to Federal Awards

Lafourche Parish Drainage District No. 1 did not receive federal awards during the year ended December 31, 2003.

Section III Management Letter

A management letter was not issued in connection with the audit for the year ended December 31, 2003.