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**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH**

ST. CHARLES PARISH COUNCIL
Paradis, Louisiana

**Basic Financial Statements
With Required Supplemental Information
And Independent Auditor's Reports**

As of and for the 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 8/21/04



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SUNSET DRAINAGE DISTRICT OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana

Basic Financial Statements
With Supplemental Information Schedules
and Independent Auditor's Report

As of and for the year ended December 31, 2003

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SUNSET DRAINAGE DISTRICT OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana

Basic Financial Statements
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and Independent Auditor's Report

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Independent Auditor's Report

To the Board of Commissioners
Sunset Drainage District
Of St. Charles Parish
St. Charles Council
Paradis, Louisiana

We have audited the accompanying basic financial statements of the Sunset Drainage District of St. Charles Parish 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 Sunset Drainage District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 Sunset Drainage District as of December 31, 2003, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

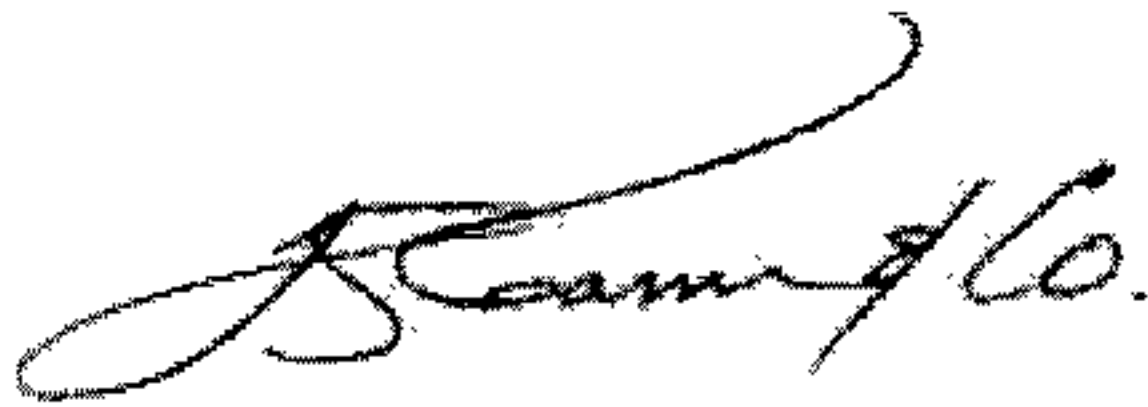
As described in Note 1 to the basic financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—For State and Local Governments* as of January 1, 2003. This results in a change to the District's format and content of the basic financial statements.

The required supplemental information, as listed in the table of contents, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. The required supplemental information is the responsibility of the Sunset Drainage District's management. It has been subjected to the auditing procedures applied in the audit of the basic financial

statements and, in our opinion, is fairly presented in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2004 on our consideration of Sunset Drainage District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Sunset Drainage District, taken as a whole. The accompanying supplemental information as listed in the table of contents and 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 taken as a whole.



Thibodaux, Louisiana
May 13, 2004

Required Supplemental Information
(Part 1 of 2)

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL**

Paradis, Louisiana

Management's Discussion and Analysis
For the year ended December 31, 2003

Our discussion and analysis of the Sunset Drainage District of St. Charles Parish's (hereafter referred to as the District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2003.

The Management's Discussion and Analysis is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 issued in June 1999. As this is the first year that the District has implemented this model, certain comparative information with the previous year, which is by design included in this reporting model, will not be included in this analysis as permitted by GASB Statement No. 34 with the respect to first year reporting. Beginning with next year's report, the District will include this comparative analysis and information.

FINANCIAL HIGHLIGHTS

- The financial statements included in this report provide insight into the financial status for the year. Based upon the operation of 2003, the District's net assets decreased by \$103,662 and resulted in ending net assets of \$798,072.
- Total revenue for the year was \$78,046 or 35% higher than last year. This was attributable to \$77,725 received in grants from the St. Charles Parish. Last year, the District did not receive any grants from the Parish.
- Total expenses for the year were \$66,753 or 20% higher than last year. This was attributable to \$47,086 in depreciation expense. Depreciation is a requirement of GASB No. 34. Because 2003 was the first year that the District implemented GASB No. 34, the District did not have this expense in the past.
- Cash and cash equivalents at the end of the year were \$89,004 or 149% higher than last year. This was attributable to all of the investments that were held in 2002 in the amount of \$149,268 matured and were redeemed during the year.
- At the end of the year, the District had capital assets, net of accumulated depreciation in the amount of \$489,956. This was made up of \$1,799,230 in capital assets and \$1,309,274 in accumulated depreciation. The District purchased \$3,555 in capital assets during 2003.
- Total liabilities at the end of the year were \$2,720 or 17% higher than at the end of 2002. This was attributable to an increase in accounts payable and compensated absences payable.

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL**
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Management's Discussion and Analysis
For the year ended December 31, 2003

- The implementation of GASB Statement No. 34 caused the fund balance at January 1, 2003, to be restated in terms of "net assets". Beginning fund balance was increased by \$522,904 to \$901,704 of net assets.

USING THIS ANNUAL REPORT

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities found on pages 8 and 9 provides information about the financial activities of the District and illustrate a longer-term view of the District's finances. Fund financial statements start on page 10. For governmental-type activities, these statements illustrate how these services were financed in the short-term and what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide sections of the statements by providing information about the District's significant funds.

THE DISTRICT AS A WHOLE

The government-wide financial statements present financial information for all activities of the District from an economic resources measurement focus using the accrual basis of accounting. They present governmental activities, such as general government, separately from business-type activities.

The District's combined net assets as of December 31, 2003, were:

Invested in capital assets, net of related debt	\$ 489,956
Unrestricted	<u>308,086</u>
Total Net Assets	<u>\$ 798,042</u>

GOVERNMENTAL ACTIVITIES

The District uses funds to help control and manage money for particular purposes. At the completion of the year, the District's governmental fund reported a fund balance of \$318,021. This reflects a decrease of \$60,779 from last year.

The District's total revenues for the year were \$300,572. This amount is 35% higher than last year's revenue. The revenue increase was primarily due to grants received from St. Charles Parish. The total expenses were \$361,350 which include \$5,335 in capital asset purchases.

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL**
Paradis, Louisiana

Management's Discussion and Analysis
For the year ended December 31, 2003

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget was amended in December 2003 to bring it more into line with the actual activity.

The actual revenues were less than budgeted amounts for the fiscal year, while the actual expenditures were more than the budgeted amounts for the fiscal year. A comparison schedule can be found on page 26.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to Mr. L.J. Frickey, Secretary/Treasurer, 152 Bayou Estates Drive, Des Allemands, Louisiana 70030.

CLOSING COMMENTS

The District continues to closely monitor the use of its funds to ensure that the funds are spent wisely. We are very proud of the progress that has been made throughout the parish in providing drainage to all our citizens.

Government-Wide Financial Statements

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana**

**Statement of Net Assets
December 31, 2003**

	<u>Governmental Activites</u>
ASSETS	
Cash	\$ 148,690
Receivable from US Treasury	2,005
Maintenance taxes receivable	174,696
Royalties receivable	1,198
Capital assets, net	<u>489,956</u>
Total assets	<u>816,545</u>
 LIABILITIES	
Accounts payable	4,555
Payroll withholdings payable	4,014
Long-term liabilities	
Compensated absences payable	<u>9,935</u>
Total liabilities	<u>18,504</u>
 NET ASSETS	
Investment in capital assets, net of related debt	489,956
Unrestricted	<u>308,086</u>
Total net assets	<u><u>\$ 798,042</u></u>

The accompanying notes are an integral part of this statement.

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana**

**Statement of Activities
For the Year Ended December 31, 2003**

	<u>General Government</u>
Expenses	
Advertising	\$ 89
Contract labor	14,664
Equipment repair	28,631
Fuel	12,007
Insurance	30,441
Legal & accounting	56,864
Maintenance tax expenditures	35,181
Material & supplies	25,016
Miscellaneous	57
Office supplies	677
Per diem	3,640
Salaries	115,093
Secretary/Treasurer	3,000
Small tools and equipment	5,183
Taxes - payroll	7,096
SIMPLE expense	3,388
Employee Health Ins expense	11,651
Telephone	2,193
Utilities	2,277
Depreciation expense	<u>47,086</u>
Total expenses	<u>404,234</u>
General Revenues	
Maintenance taxes	210,127
St. Charles Parish Council	77,725
Oil & gas royalties & leases	4,666
Interest	8,003
Other	<u>51</u>
Total general revenues	<u>300,572</u>
Change in net assets	(103,662)
Net assets:	
Beginning of the year (Restated See Note 2)	<u>901,704</u>
End of the year	<u><u>\$ 798,042</u></u>

The accompanying notes are an integral part of this statement.

Fund Financial Statements

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana**

**Balance Sheet - Governmental Fund
December 31, 2003**

	<u>General Fund</u>
ASSETS	
Cash	\$ 148,691
Receivable from US Treasury	2,005
Maintenance taxes receivable	174,696
Royalties receivable	<u>1,198</u>
Total assets	<u>326,590</u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	4,555
Payroll withholdings payable	<u>4,014</u>
Total liabilities	<u>8,569</u>
Fund balances:	
Fund balance - unreserved	<u>318,021</u>
Total fund balance	<u>318,021</u>
Total liabilities and fund balance	<u><u>\$ 326,590</u></u>

The accompanying notes are an integral part of this statement.

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana**

**Statement Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund
For the Year Ended December 31, 2003**

	General Fund
Revenues	
Taxes:	
Maintenance taxes	\$ 210,127
Other:	
St. Charles Parish Council	77,725
Oil & gas royalties & leases	4,666
Interest	8,003
Other	51
Total revenues	300,572
Expenditures	
Current:	
Advertising	89
Contract labor	14,664
Equipment repair	28,631
Fuel	12,007
Insurance	30,441
Legal & accounting	56,864
Maintenance tax expenditures	35,181
Material & supplies	25,016
Miscellaneous	57
Office supplies	677
Per diem	3,640
Salaries	114,042
Secretary/Treasurer	3,000
Small tools and equipment	5,183
Taxes - payroll	7,015
SIMPLE expense	3,388
Employee Health Ins expense	11,651
Telephone	2,193
Utilities	2,277
Capital Outlay:	
Purchases of equipment	5,335
Total expenditures	361,351
Net change in fund balances	(60,779)
Beginning of the year	378,800
End of the year	\$ 318,021

The accompanying notes are an integral part of this statement.

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana**

**Reconciliation of the Governmental Fund Balance Sheet to the
Government-Wide Statement of Net Assets
December 31, 2003**

Total Fund Balances - Governmental Funds \$ 318,021

Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not current
financial resources and, therefore, are not reported in the
Governmental Funds Balance Sheet 489,956

Long-term liabilities are not due and payable in the current
period and, therefore, are not reported in the Governmental
Funds Balance Sheet. All liabilities both current and
long-term are reported in the Statement of Net Assets.

Compensated absences payable (9,935)

Total Net Assets - Governmental activities \$ 798,042

The accompanying notes are an integral part of this statement.

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana**

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the year ended December 31, 2003**

Net Change in Fund Balances - Governmental Funds \$ (60,779)

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

Governmental funds report capital outlays as expenditures. However, in
the statement of activities, the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense.

Capital assets purchased	5,335	
Depreciation expense	<u>(47,086)</u>	(41,751)

Some expenses reported in the statement of activities do not require the
use of current financial resources and, therefore, are not reported as
expenditures in governmental funds.

Compensated absences earned	5,220	
Compensated absences used	<u>(4,088)</u>	<u>(1,132)</u>

Change in Net Assets - Governmental activities \$ (103,662)

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2003

INTRODUCTION

The Sunset Drainage District of St. Charles Parish was established May 16, 1924. It is controlled by a five member board of commissioners appointed by the St. Charles Parish Council. Sunset Drainage District funds are dedicated to operating and maintaining drainage facilities within the district boundaries. Financing is provided primarily by a grant from the St. Charles Parish Council, maintenance taxes, mineral royalties, and interest on investments. At year end the board employed three employees.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of presentation

The accompanying general purpose financial statements of the Sunset Drainage District have been prepared in conformity with generally accepted accounting principles (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.

B. Reporting entity

As the governing authority of the parish, for reporting purposes, the St. Charles Parish Council is the financial reporting entity for St. Charles Parish. The financial reporting entity consists of (a) the primary government (parish council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The District is classified as a component unit of St. Charles Parish because the parish council appoints the organizations governing body and because there is the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the parish council. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the parish council, the general government services provided by that governmental unit, or the other governmental units that comprise the governmental reporting entity.

SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Government-wide accounting

In accordance with Government Accounting Standards Board Statement No. 34, the District has presented a Statement of Net Assets and a Statement of Activities for the District as a whole. These statements include the primary government and its component units, if applicable, with the exception of fiduciary funds. Those funds are reported separately. Government-wide accounting is designed to provide a more comprehensive view of the government's operations and financial position as a single economic entity.

Government-wide statements distinguish between governmental-type and business-type activities. Governmental activities are those financed through taxes, intergovernmental revenues and other non-exchange revenues and are usually reported in governmental and internal service funds. Business activities are financed in whole or in part through fees charged for goods and services to the general public and are usually reported in proprietary funds.

Policies specific to the government-wide statements are as follows:

Eliminating Internal Activity

Interfund receivables and payables are eliminated in the Statement of Net Assets except for the net residual amounts due between governmental and business-type activities, these are presented as internal balances. The allocation of overhead expenses from one function to another or within the same function are eliminated in the Statement of Activities. Allocated expenses are reported by the function to which they were allocated.

Application of FASB Statements and Interpretations

Reporting on governmental-type and business-type activities are based on FASB Statements and Interpretations issued after November 30, 1989, except where they conflict or contradict GASB pronouncements.

Capitalizing Assets

Tangible and/or intangible assets used in operations with an initial useful life that extends beyond one year are capitalized. Infrastructure assets such as roads and bridges are also capitalized. Capital assets are recorded at their historical cost and are depreciated using the straight-line method of depreciation over their estimated useful lives. They are reported net of accumulated depreciation on the Statement of Net Assets. Depreciation of contributed assets of proprietary funds is charged against contributed capital as opposed to unrestricted net assets.

SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Government-wide accounting (continued)

Under the requirements of GASB Statement No. 34, the District is considered a Phase 3 government, as its total annual revenues are less than \$10 million. Such governments are not required to report major general infrastructure assets retroactively. However, the District does not have these types of capital assets.

Program Revenues

The Statement of Activities presents two categories of program revenues — (1) charges for services; and (2) operating grants and contributions. Charges for services are those revenues arising from charges to customers who purchase, use or directly benefit from goods and services provided by the District. Grants and contributions, whether operating or capital in nature, are revenues arising from receipts that are restricted for a specific use.

Indirect Expenses

Expenses are reported according to function except for those that meet the definition of special or extraordinary items. Direct expenses are specifically associated with a service or program. Indirect expenses include general government or administration that cannot be specifically traced to a service or program. Governments are not required to allocate indirect expenses to other functions, and the District has chosen not to do so.

Operating Revenues

Proprietary funds separately report operating and non-operating revenues. The District does not have any proprietary funds.

Restricted Net Assets

Restricted net assets are those for which a constraint has been imposed either externally or by law. The District recognizes the use of restricted resources for expenditures that comply with the specific restrictions. Restricted resources are exhausted before unrestricted net assets are used.

D. Fund Accounting

The District uses funds to report on its financial position and the result of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting (continued)

A fund is a separate entity with a self-balancing set of accounts. Funds of the District are classified as governmental. This category, in turn, is divided into separate fund types. The fund classifications and a description of the only existing fund type follow:

Governmental Funds

Governmental funds account for all of the District's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term obligations. The general fund is the operating fund of the District and accounts for all financial resources. It is the District's only governmental fund.

E. Basis of Accounting / Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by the type of financial statement presentation.

The government-wide statements are reported using an economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of governmental-type and business-type activities are included in the Statement of Net Assets. Revenues are recognized when earned, and expenses are recognized at the time the liabilities are incurred in the Statement of Activities. In these statements, capital assets are reported and depreciated in each fund.

This same measurement focus and basis of accounting is used by proprietary funds in the fund statements. However, all governmental funds are reported using a current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements present increases and decreases in net current assets. Expenditures for capital assets are reported as current expenses, and such assets are not depreciated. The District does not have any business-type activities.

F. Budgets

The District adopted a budget for the General Fund for the year ended December 31, 2003 as required by Louisiana Revised Statutes 39:1303-1305. Budget integration was employed as a management control device during the year. Unexpended appropriations

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Notes to the Financial Statements
As of and for the Year Ended December 31, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Budgets (continued)

lapse at year end, and must be reappropriated in the next year's budget to be expended. The board of commissions reserves all authority to make changes to the budget. The budget is prepared on the cash basis which approximates GAAP.

Budgeted amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments (if any). The district did not budget beginning or ending fund balance for the calendar year ended December 31, 2003.

G. Encumbrances

The District does not use encumbrance accounting.

H. Cash and cash equivalents, and investments

Cash includes amounts in demand deposits, interest-bearing demand deposits, money market accounts, and time deposits. Investments include amounts in obligations of the United States of America. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the board may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

I. Inventories

Physical inventories consist of expendable supplies held for consumption. Because inventories are expended within one operating cycle they are recorded as expenditures when paid for and are not recorded as an inventory asset.

SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
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Notes to the Financial Statements
As of and for the Year Ended December 31, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Use of Estimates

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

K. Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is recorded using the straight-line method over the useful lives of the assets as follows:

Buildings	30 years
Equipment	5 – 15 years
Office furniture	5 – 7 years
Vehicles	5 – 15 years

In June of 1999, the Governmental Accounting Standards Board issued Statement No. 34 that requires the inclusion of infrastructure assets used in governmental activities in the general purpose financial statements retroactively reported back to 1982. All assets of the District are reported in the accompanying financial statements. The District owns no infrastructure.

L. Compensated absences

The District has the following policy relating to vacation and sick leave:

Employees of the District earn from 5 to 15 days of vacation leave each year, depending on their length of service. Employees earn 6 days of sick leave each year, depending on their length of service. Sick leave may be accumulated to a maximum of 30 days. Upon retirement or death, unused accumulated vacation is paid to the employee or to the employee's estate at the employee's current rate of pay.

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Notes to the Financial Statements
As of and for the Year Ended December 31, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Compensated absences (continued)

In accordance with GASB Statement No. 16, the cost of vacation and sick leave is accrued only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals. The cost of vacation and sick leave privileges not requiring current resources is recorded in long-term liabilities section of the Statement of Net Assets.

M. Net Assets/Fund Balances

In the Statement of Net Assets, the difference between a government's assets and liabilities is recorded as net assets. The three components of net assets is as follows:

Invested in Capital Assets, Net of Related Debt

This category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowing attributable to the acquisition, construction or improvement of capital assets.

Restricted Net Assets

Net assets that are restricted by external sources such as banks or by law are reported separately as restricted net assets. When assets are required to be retained in perpetuity, these non-expendable net assets are recorded separately from expendable net assets. These are components of restricted net assets.

Unrestricted Net Assets

This category represents net assets not appropriable for expenditures or legally segregated for a specific future use.

In the Balance Sheet of governmental funds, fund balances are segregated as follows:

Reserved

These resources are segregated because their use is earmarked for a specific use.

Unreserved

This category represents that portion of equity not appropriable for expenditures or legally segregated for a specific future use.

SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
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Notes to the Financial Statements
As of and for the Year Ended December 31, 2003

NOTE 2. CHANGES IN ACCOUNTING PRINCIPLES

For the year ending December 31, 2003, the 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 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 implementation of GASB Statement No. 34 caused the fund balance at January 1, 2003, to be restated in terms of “net assets” as follows:

Total fund balances – Governmental Funds at January 1, 2003		\$ 378,800
Add: Cost of capital assets at January 1, 2003	\$ 1,793,895	
Less: Accumulated depreciation at January 1, 2003	<u>(1,262,188)</u>	531,707
Less: Compensated absences payable at January 1, 2003	<u>\$ (8,803)</u>	<u>(8,803)</u>
Restated Net assets at January 1, 2003		<u><u>\$ 901,704</u></u>

NOTE 3. LEVIED TAXES

Maintenance taxes attach as enforceable liens on property as of January 1 of each year. Taxes are levied by the Parish of St. Charles in November and are actually billed to the taxpayers in December. Billed taxes become delinquent on January 1 of the following year.

The Sunset Drainage District of St. Charles Parish is authorized under L.S.A. R.S. 38:1674.14 to levy an annual acreage tax in an amount not to exceed \$20.00 per acre on each acre of land within the boundaries of the district for the purpose of improving, operating and maintaining drainage facilities. For the year ending December 31, 2003 the district levied an acreage tax of \$20.00 per acre of land. The tax roll is prepared by the Assessor’s office. *The taxes are collected and remitted by the Tax Collector.*

Maintenance taxes are recorded at the total amount assessed plus prior year taxes collected during the current year. Prior to remitting the taxes, the Tax Collector deducts an amount for the Assessor’s office pension fund and deducts 14% commission on collected taxes charged by the Tax Collector. In 2003, the expenditure for the pension fund was \$5,798 and the 14% commission was \$29,383. These expenditures are reported as Maintenance Tax Expenditures in the general fund.

SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2003

NOTE 3. LEVIED TAXES (continued)

The district records as a receivable the total maintenance taxes assessed for the year less charges for the pension fund and commission. An Allowance for Doubtful Accounts is not recorded by the district because the amount of uncollected taxes is immaterial and written off in the year following the year of assessment.

The total taxable acreage for 2003 was 10,493.95 acres.

The following are the principal taxpayers for the district:

Taxpayer	Total Acreage Assessed	Total Tax Assessed	Percentage of Total Acreage Assessed
Texaco, Inc.	8,308	\$ 166,156	79.17%
Rivet, Huey J.	286	5,712	2.72%
Sumners, Margaret D., et als	272	5,443	2.59%
Sumners, Alvie C., Jr.	153	3,067	1.46%
Lemmon, Mary Ann Vial, et als	140	2,800	1.33%
Rivet, Huey Joseph	115	2,300	1.10%
Sumners, Elizabeth K., et als	102	2,034	0.97%
Rivet, Huey Joseph	48	969	0.46%
Riviere, Lula Matherne	41	814	0.39%
Oceanic Fleet, Inc.	40	795	0.38%
	<u>9,504</u>	<u>\$ 190,089</u>	<u>90.57%</u>

NOTE 4. GRANT

The St. Charles Parish Council subsidizes the operations of the district in the amount of \$77,725 for the fiscal year 2003. The Sunset Drainage District agrees to adequately maintain the drainage system within the boundaries of the district to protect the lives and property of the citizens residing within the district.

SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2003

NOTE 5. CASH AND CASH EQUIVALENTS

At December 31, 2003, the district has cash and cash equivalents (book balance) totaling \$ 148,690 as follows:

Interest-bearing demand deposits	\$ 147,629
LAMP-money market	<u>1,061</u>
Total	<u><u>\$ 148,690</u></u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities must be held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2003, the district has \$149,209 in deposits (collected bank balance) at First American Bank. These deposits are secured from risk by \$100,000 of FDIC insurance (GASB category 1) and by \$547,792 (GASB category 2) of pledged securities. At December 31, 2003, the district has \$1,061 in deposits (collected bank balance) at Louisiana Asset Management Pool (GASB category 1).

NOTE 6. INVESTMENTS

During 2003 the investments that the District held matured and were redeemed. The proceeds from the redemption were deposited into the operating checking account.

NOTE 7. RECEIVABLES

The following is a summary of receivables at December 31, 2003:

Class of Receivable	Amount
Receivable from US Treasury	\$ 2,005
Maintenance taxes	174,696
Royalties receivable	<u>1,198</u>
Total	<u><u>\$ 177,899</u></u>

SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2003

NOTE 8. CHANGES IN GENERAL FIXED ASSETS

Capital asset activity for the year ended December 31, 2003 was as follows:

	* Restated Balance at 12/31/2002	Additions	Deletions	Balance at 12/31/2003
Equipment	\$ 621,016	\$ 3,107	\$ -	\$ 624,123
Buildings	27,572	2,228	-	29,800
Real Estate & Improvements	1,145,307	-	-	1,145,307
 Total Capital Assets	 1,793,895	 5,335	 -	 1,799,230
 Less: Accumulated Depreciation	 (1,262,188)	 (47,086)	 -	 (1,309,274)
 Total Capital Assets, Net	 <u>\$ 531,707</u>	 <u>\$ (41,751)</u>	 <u>\$ -</u>	 <u>\$ 489,956</u>

The beginning balances were restated to conform to the requirements of GASB No. 34. A total of \$6,637 of fixed assets were removed because they fell under the cost threshold of \$1,000. Accumulated depreciation was calculated as of December 31, 2002 and an adjusting entry was made to record it.

NOTE 9. PENSION PLAN

A. Social Security

All employees of the Sunset Drainage District contribute to the Department of the Treasury, Division of Social Security. Contributions to the system are made by both the employees and the District as a percentage of salaries. For the year ended December 31, 2003, the District contributed \$7,015 (7.65% of salaries) to the system as its share of the contributions. Other than the annual contributions required by the system and recorded as expenditures annually, Sunset Drainage District does not guarantee any of the benefits granted by the retirement system.

B. SIMPLE Plan

Plan Description: In May of 2001, Sunset Drainage District began to offer a Savings Incentive Match Plan (SIMPLE) plan for its employees. This plan is being managed by Oppenheimer Funds. To be eligible to participate, employees must have at least two years of service during which they have earned \$5,000 and expect to earn \$5,000 during the current year. All of the employees of Sunset Drainage District are eligible and do participate in this SIMPLE plan. Withdrawals made by employees before attaining age

SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
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Paradis, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2003

NOTE 9. PENSION PLAN (continued)

B. SIMPLE Plan (continued)

fifty-nine and one-half years old and within two years from the date of joining the plan may be subject to a 25% premature withdrawal penalty tax. After two years of participation, a 10% early withdrawal penalty tax may be imposed on these employees. Distributions must start no later than April 1 of the year after the year that the individual reaches seventy and one-half years old.

Funding Policy: The plan is funded by both the employee and employer. The employee determines the amount or portion of their income that he or she wants to contribute to the plan. This "contribution" is made on a pre-tax basis, thereby reducing the amount of employee's income that is subject to federal taxation. Employees are allowed to put up to 100% of their income with a maximum contribution of \$8,000 a year. The employee has a choice of various funds that he or she may put his or her money into. The rate of return on these funds varies with each fund. The employer's portion of the funding is done by way of a match. The employer matches the employee's contribution dollar for dollar, up to 3% of each individual's compensation to a maximum of \$8,000 per year. This amount can be reduced to a minimum of 1% for any two years out of a five-year period. For the year ending December 31, 2003, the amount of the employee's portion of the funding is \$13,541. The amount of the employer's portion of the funding is \$3,388.

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS

The District provides no other postretirement benefits.

NOTE 11. LEASES

The District had no capital leases to be recorded as assets and obligations in the accompanying financial statements.

NOTE 12. COMPENSATED ABSENCES

At December 31, 2003, employees of the District have accumulated and vested \$9,935 of employee leave benefits, computed in accordance with GASB Codification Section C60. This amount is recorded in the long-term liabilities section of the Statement of Net Assets.

SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2003

NOTE 13. CHANGES IN GENERAL LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions during the year:

Compensated absences payable, at January 1, 2003	\$ 8,803
Additions	5,220
Retirements	<u>(4,088)</u>
Compensated absences payable, at December 31, 2003	<u>\$ 9,935</u>

NOTE 14. LITIGATION AND CLAIMS

At December 31, 2003, the Sunset Drainage District was involved in the suit - Board of Commissioners for the Sunset Drainage District of St. Charles Parish vs. Huey J. Rivet et al. The District is suing to resolve a dispute over title to 285.60 acres of land acquired by the District through a tax sale in 1921. The chances of the District receiving an unfavorable outcome are minimal.

The Sunset Drainage District was involved in another claim - Clarence Breaux vs. The Sunset Drainage District, et al. This suit involves an alleged financial loss resulting from the District putting trees in Clarence Breaux's crawfish pond. The case is slow moving, but the District Attorney expects a favorable outcome.

Required Supplemental Information
(Part 2 of 2)

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana
GOVERNMENTAL FUND - GENERAL FUND**

**Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual (Non-GAAP Basis)
For the Year ended December 31, 2003**

	Original Budget	Budget	Actual	Variance - with Final Budget Positive (Negative)
Revenues				
Taxes:				
Maintenance taxes	\$ 174,000	\$ 175,169	\$ 175,072	\$ (97)
Other:				
St. Charles Parish Council	2,000	78,210	77,725	(485)
Oil & gas royalties & leases	20,000	3,468	3,468	-
Interest	7,000	395	454	59
Other	-	-	51	51
Total revenues	\$ 203,000	\$ 257,242	\$ 256,770	\$ (472)
Expenditures				
Current:				
Advertising	\$ 500	\$ 24	\$ 89	\$ (65)
Contract labor	25,000	14,948	14,664	284
Equipment repair	30,000	24,477	26,509	(2,032)
Fuel	30,000	12,013	12,007	6
Insurance	25,000	40,150	42,151	(2,001)
Legal & accounting	10,000	56,405	56,405	-
Maintenance tax expenditures			35,181	(35,181)
Material & supplies	15,000	25,937	25,292	645
Miscellaneous	3,000	2,110	93	2,017
Office supplies	500	649	649	-
Per diem	4,200	3,705	3,640	65
Professional services	2,500	-	-	-
Salaries	111,925	100,502	100,501	1
Secretary/Treasurer	3,000	3,000	3,000	-
Small tools and equipment			5,183	(5,183)
Taxes - payroll	6,400	7,015	7,015	-
SIMPLE expense	3,000	3,082	3,388	(306)
Telephone	1,500	2,133	-	2,133
Utilities	4,200	2,229	2,066	163
Capital Outlay:				
Purchases of equipment	5,000	8,574	5,335	3,239
Total expenditures	\$ 280,725	\$ 306,953	\$ 343,168	\$ (36,215)
Net change in fund balances	(77,725)	(49,711)	(86,398)	35,743
Beginning of the year	None	None	264,264	
End of the year	None	None	\$ 177,866	

Supplemental Information Schedules

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana**

**Schedule of Compensation Paid to Board Members
For the Year Ended December 31, 2003**

The schedule of compensation paid to board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. R.S. 38:1607 authorizes each commissioner to receive compensation of not more than sixty-five dollars per day including all actual expenses, while attending to the business of the district.

<u>Member</u>	<u>Per Diem</u>	<u>No. of Days</u>	<u>Total Per Diem</u>
Eric Matherne	\$ 65	15	\$ 975
Troy Sampey	65	8	520
Curtis Matherne	65	11	715
Ronald Dufrene	65	12	780
Dale Estay	65	11	<u>715</u>
Total			<u><u>\$ 3,705</u></u>

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana**

**Summary Schedule of Prior Audit Findings
As of and for the Year Ended December 31, 2003**

Ref. No.

0212-01

Description of Finding

Internal Control Material Weakness. As a material weakness (and reportable condition), the size of the Sunset Drainage District's operation and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial.

Correction Action Planned

No correction action planned is taken because of the size of the entity.

Name of Contact Person

L.J. Frickey, Secretary/Treasurer

Anticipated Completion Date

None

Additional Explanation

This is a common reportable condition noted in audits of small governmental entities. The district's office does not employ enough people in its accounting department to segregate duties.

The reportable condition cannot be remedied in a cost effective manner.

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana**

**Corrective Action Plan for Current Year Findings
As of and for the Year Ended December 31, 2003**

Ref. No.

0312-01

Description of Finding

Internal Control Material Weakness. As a material weakness (and reportable condition), the size of the Sunset Drainage District's operation and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial.

Correction Action Planned

No correction action planned is taken because of the size of the entity.

Name of Contact Person

L.J. Frickey, Secretary/Treasurer

Anticipated Completion Date

None

Additional Explanation

This is a common reportable condition noted in audits of small governmental entities. The district's office does not employ enough people in its accounting department to segregate duties.

The reportable condition cannot be remedied in a cost effective manner.

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana**

**Corrective Action Plan for Current Year Findings
As of and for the Year Ended December 31, 2003**

Ref. No.

0312-02

Description of Finding

Local Government Budget Act LSA-RS39:1301-14 requires that the governing authority amend its budget when actual expenditures plus projected expenditures for year-end exceed budgeted expenditures by five percent or more. The budget was amended during the fiscal year to comply with this requirement. However, the actual expenditures still exceeded the budgeted expenditures by more than 5%.

Correction Action Planned

When creating future budgets, the District's board will include a budgeted amount for Maintenance Tax Expenditures which is a moderate expense that was not budgeted in the past.

Name of Contact Person

L.J. Frickey, Secretary/Treasurer

Anticipated Completion Date

December 31, 2004

Additional Explanation

None

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Report on Compliance and on Internal Control



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 COMMISSIONERS
SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL**
Paradis, Louisiana

We have audited the general-purpose financial statements of the Sunset Drainage District of St. Charles Parish, as of and for the year ended December 31, 2003, and have issued our report thereon dated May 13, 2004. We conducted our audit in accordance with generally accepted auditing standards 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 Sunset Drainage District's general purpose 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards*. See finding 0312-2 on page 30. We also noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated May 13, 2004.

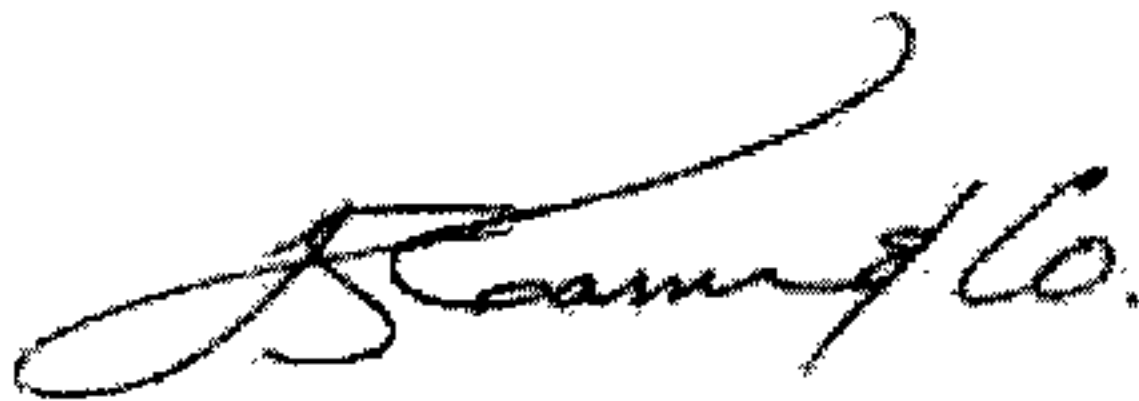
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Sunset Drainage District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a single 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 entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial

statements. The reportable condition is described in the accompanying corrective action plan for the current year audit finding as item 0312-01, page 29.

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 general purpose 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 not a material weakness.

This report is intended solely for the information and use of management. However, this report is a matter of public record and its distribution is not limited.



May 13, 2004

Management Letter



MANAGEMENT LETTER

May 13, 2004

Management
Sunset Drainage District of St. Charles Parish
Paradis, Louisiana

To the Management:

We have audited the basic financial statements of Sunset Drainage District of St. Charles Parish, Paradis, Louisiana, as of and for the year ended December 31, 2003, and have issued our reports thereon dated May 13, 2004.

We noted certain immaterial instances of noncompliance that, in our opinion, do not warrant being reported in our audit reports. However, to assist Management, we communicate these instances in this management letter.

1. In regards to the quarterly payroll tax return, Form 941, Employer's Quarterly Federal Tax Return, Sunset Drainage District is incorrectly calculating the amount of wages that are taxable for social security and medicare. When calculating these amounts, the amount of SIMPLE that was withheld for the quarter needs to be included in the amounts that are taxable for social security and medicare. Therefore, the amount that is taxable for federal income tax (Line 2) will be lower than the amounts that are taxable for social security (Line 6a) and Medicare (Line 7a) by the amount of SIMPLE withheld during the quarter.
2. In regards to the per diems that are paid to board members, they are incorrectly being reported to the government on Form 1099. The per diems should be considered as paychecks and reported to the government on the Form W-2. Also, amounts should be withheld from the per diems for social security and medicare and should be reported on the Form 941 with the other employees' wages and withholdings.
3. In regards to payroll time sheets, the salary employee's number of hours worked per day and use of vacation or sick leave should be recorded in the same manner as the hourly employees.

If you have any questions, or if we can assist you in any way, please call us at 985-447-8507.

Thank you,

A handwritten signature in cursive script that reads "Kearns & Co.".

T.S. Kearns & Co., CPA

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana**

**Corrective Action Plan Relative to Management Letter Items
As of and for the Year Ended December 31, 2003**

Form 941, Employer's Quarterly Federal Tax Return

Recommendation:

In regards to the quarterly payroll tax return, Form 941, Employer's Quarterly Federal Tax Return, Sunset Drainage District is incorrectly calculating the amount of wages that are taxable for social security and medicare.

Corrective Action:

Sunset Drainage District will amend the Form 941's for the year and will correctly calculate the wages to report on Form 941's in the future.

Per Diems

Recommendation:

In regards to the per diems that are paid to board members, they are incorrectly being reported to the government on Form 1099. The per diems should be considered as paychecks and reported to the government on the Form W-2. Also, amounts should be withheld from the per diems for social security and medicare and should be reported on the Form 941 with the other employees' wages and withholdings.

Corrective Action:

Sunset Drainage District will treat per diems paid to board members as paychecks and report to the government on Form W-2's and include these as wages on the Form 941.

Payroll Time Sheets

Recommendation:

In regards to payroll time sheets, the salary employee's number of hours worked per day and use of vacation or sick leave should be recorded in the same manner as the hourly employees.

Corrective Action:

Sunset Drainage District will report the salary employee's number of hours worked per day and use of vacation or sick leave in the same manner as the hourly employees.

Name of Contact Person

L.J. Frickey, Secretary/Treasurer

Anticipated Completion Date

December 31, 2004

Additional Explanation

None