

**STATE OF LOUISIANA
NATCHITOCHEs LEVEE AND DRAINAGE DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2004**

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 9.1.04

STATE OF LOUISIANA
NATCHITOCHE LEVEE AND DRAINAGE DISTRICT
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STATE OF LOUISIANA
NATCHITOCHEES LEVEE AND DRAINAGE DISTRICT
TRANSMITTAL LETTER
ANNUAL FINANCIAL STATEMENTS

August 17, 2004

Division of Administration
Office of Statewide Reporting
and Accounting Policy
P. O. Box 94095
Baton Rouge, LA 70804-9095

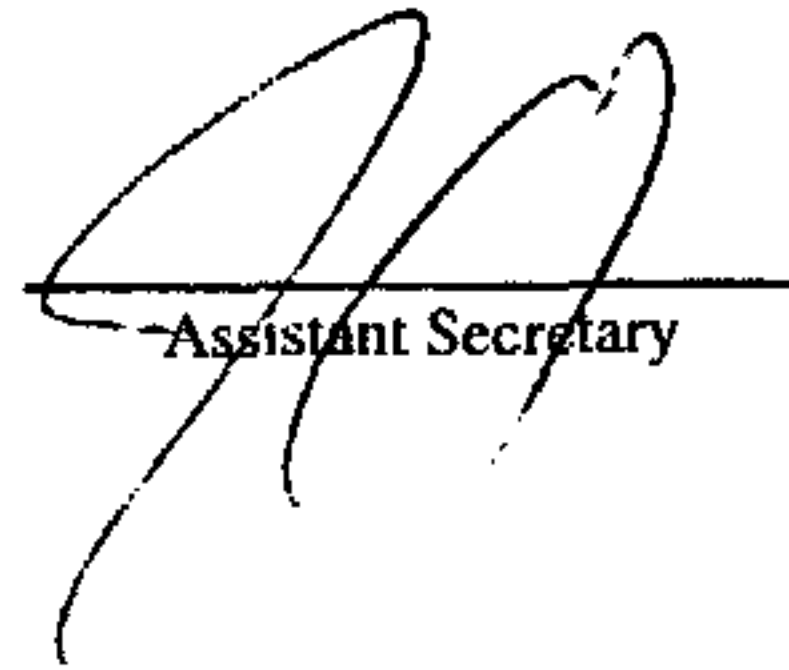
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Sirs:

In accordance with Louisiana Revised Statute 24:514, enclosed are the annual financial statements for the Natchitoches Levee and Drainage District for the year ended June 30, 2004. The report includes only funds under the control and oversight of the Natchitoches Levee and Drainage District.

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Sincerely,


Assistant Secretary

Enclosure

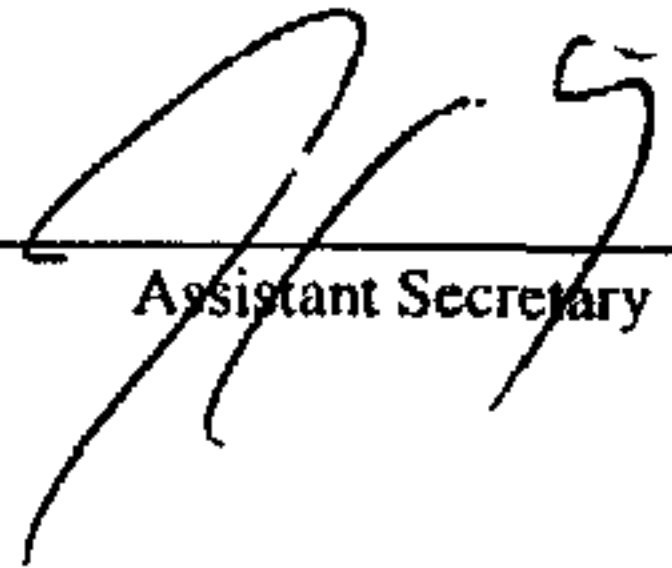
STATE OF LOUISIANA
NATCHITOCHEs LEVEE AND DRAINAGE DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

Division of Administration
Office of Statewide Reporting
and Accounting Policy
P. O. Box 94095
Baton Rouge, LA 70804-9095

Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

AFFIDAVIT

Personally came and appeared before the undersigned authority, John Clifton Conine, Assistant Secretary of the Natchitoches Levee and Drainage District, who duly sworn, deposes and says, that the financial statements herewith given presents fairly the financial position of Natchitoches Levee and Drainage District at June 30, 2004 and the results of operations for the year then ended in accordance with policies and practices established by the Division of Administration or in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.


Assistant Secretary

Sworn to and subscribed before me, this 17th day of August, 2004.


NOTARY PUBLIC



HINES, JACKSON & HINES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 2188 - 133 EAST FIFTH STREET
NATCHITOCHE, LA 71457

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Natchitoches Levee and Drainage District
Natchitoches, Louisiana

We have audited the accompanying basic financial statements of the Natchitoches Levee and Drainage District, a component unit of the State of Louisiana, as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of management of the Natchitoches Levee and Drainage District. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Natchitoches Levee and Drainage District as of June 30, 2004, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated August 17, 2004, on our consideration of the Natchitoches Levee and Drainage District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary information on pages 4 through 8 and 23, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Natchitoches Levee and Drainage District taken as a whole. The accompanying supplemental schedules and the Division of Administration reporting package listed in the table of contents are presented for purposes of additional analysis and are 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.

The financial information for the year ended June 30, 2003, which is included for comparative purposes was taken from the financial report for that year in which we expressed an unqualified opinion dated August 21, 2003, on the basic financial statements of the Natchitoches Levee and Drainage District.

Hines, Jackson & Hines
Natchitoches, Louisiana
August 17, 2004

STATE OF LOUISIANA
NATCHITOCHEES LEVEE AND DRAINAGE DISTRICT
MANAGEMENT'S DISCUSSION, AND ANALYSIS
JUNE 30, 2004

The Management's Discussion and Analysis of the Natchitoches Levee and Drainage District's financial performance presents a narrative overview and analysis of Natchitoches Levee and Drainage District's financial activities for the year ended June 30, 2004. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the additional information contained in the transmittal letter presented on page 1 and the Natchitoches Levee and Drainage District's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- 1) The Natchitoches Levee and Drainage District had cash and investments of \$617,526 at June 30, 2004 which represents an increase of \$69,950 from prior year end.
- 2) The Natchitoches Levee and Drainage District had accounts receivable of \$18,700 at June 30, 2004 which represents an increase of \$17,652 from prior year end.
- 3) The Natchitoches Levee and Drainage District had accounts payable and accruals of \$6,670 at June 30, 2004 which represents an increase of \$2,112 from prior year end.
- 4) The Natchitoches Levee and Drainage District had total revenues of \$386,874 for the year ended June 30, 2004 which represents an increase of \$28,881 from prior year.
- 5) The Natchitoches Levee and Drainage District had property taxes of \$324,816 for the year ended June 30, 2004 which represents an increase of \$15,523 from prior year.
- 6) The Natchitoches Levee and Drainage District had interest of \$4,818 for the year ended June 30, 2004 which represents a decrease of \$2,746 from prior year.
- 7) The Natchitoches Levee and Drainage District had personal services expenses of \$158,898 for the year ended June 30, 2004 which represents an increase of \$6,070 from prior year.
- 8) The Natchitoches Levee and Drainage District had operating services expenses of \$99,068 for the year ended June 30, 2004 which represents an increase of \$35,423 from prior year.
- 9) The Natchitoches Levee and Drainage District had capital asset purchases of \$0 for the year ended June 30, 2004 which represents no change from prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for the Natchitoches Levee and Drainage District as established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.

STATE OF LOUISIANA
NATCHITOCHEES LEVEE AND DRAINAGE DISTRICT
MANAGEMENT'S DISCUSSION, AND ANALYSIS (CONTINUED)
JUNE 30, 2004

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Management Discussion and Analysis

Basic Financial Statements

Required Supplementary Information
(Other than MD&A)

These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

Basic Financial Statements

This annual report consist of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 9 and 10) provide information about the activities of the Natchitoches Levee and Drainage District as a whole and present a longer-term view of the District's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets and the Statement of Activities report the District's net assets and changes in them. You can think of the District's net assets, the difference between assets and liabilities, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating.

Fund financial statements start on page 11. All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's activities as well as what remains for future spending.

STATE OF LOUISIANA
NATCHITOCHEs LEVEE AND DRAINAGE DISTRICT
MANAGEMENT'S DISCUSSION, AND ANALYSIS (CONTINUED)
JUNE 30, 2004

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets
As of Year End

	<u>2004</u>	<u>2003</u>
Current and other assets	\$ 640,611	\$ 558,642
Capital assets, net	<u>92,057</u>	<u>120,803</u>
Total Assets	<u>\$ 732,668</u>	<u>\$ 679,445</u>
Other liabilities	\$ 6,670	\$ 4,558
Compensated absences payable	<u>14,229</u>	<u>13,683</u>
Total Liabilities	<u>20,899</u>	<u>18,241</u>
Net assets		
Investment in capital assets, net of related debt	92,057	120,803
Unrestricted	<u>619,712</u>	<u>540,401</u>
Total Net Assets	<u>711,769</u>	<u>661,204</u>
Total Liabilities and Net Assets	<u>\$ 732,668</u>	<u>\$ 679,445</u>

Net assets of the Natchitoches Levee and Drainage District's increased by \$50,565 or 7.65% from the previous fiscal year. The increase is the result of operating and non-operating revenues exceeding expenses during the fiscal year ended 2004 (See table below).

Statement of Activities
For the Year Ended

	<u>2004</u>	<u>2003</u>
General government		
Expenses	\$ (336,309)	\$ (292,074)
Program revenues		
Operating grants and contributions	<u>0</u>	<u>0</u>
Subtotal	(336,309)	(292,074)
General revenues	<u>386,874</u>	<u>357,993</u>
Change in net assets	<u>\$ 50,565</u>	<u>\$ 65,919</u>

The Natchitoches Levee and Drainage District's total revenues increased by \$28,881 or 8.07% from the previous year. The total cost of all programs and services increased by \$44,235 or 15.15% from the previous year.

STATE OF LOUISIANA
NATCHITOCHEs LEVEE AND DRAINAGE DISTRICT
MANAGEMENT'S DISCUSSION, AND ANALYSIS (CONTINUED)
JUNE 30, 2004

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2004, the Natchitoches Levee and Drainage District had \$92,057, net of depreciation, invested in a broad range of capital assets (See table below). This amount represents a net decrease (including additions and deductions) of \$28,746 or 23.80% from the previous year.

Capital Assets at Year End
(Net of Depreciation)

	2004	2003
Land	\$ 1,200	\$ 1,200
Buildings and building improvements	0	0
Automobiles and equipment	90,857	119,603
Total	\$ 92,057	\$ 120,803

This year's major additions included:

None.

This years' major retirements included:

Automobiles and equipment \$ 79,816

Debt

The Natchitoches Levee and Drainage District had \$14,229 in compensated absences payable at year end compared to \$13,683 at the previous year end, an increase of \$546 or 3.99% as shown in the table below.

Outstanding Debt at Year End

	2004	2003
Compensated absences payable	\$ 14,229	\$ 13,683
Totals	\$ 14,229	\$ 13,683

New debt during the year included:

None.

STATE OF LOUISIANA
NATCHITOCHEES LEVEE AND DRAINAGE DISTRICT
MANAGEMENT'S DISCUSSION, AND ANALYSIS (CONTINUED)
JUNE 30, 2004

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS

Actual revenues were \$100,894 more than budgeted amounts due to taxes and state revenue sharing being more than expected.

Actual expenditures were \$12,437 more than budgeted amounts due to personal services and operating services being more than expected.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Natchitoches Levee and Drainage District's elected and appointed officials considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

- 1) Ad valorem taxes
- 2) Interest income
- 3) Projects under consideration
- 4) Intergovernmental revenues (state and local grants)

The Natchitoches Levee and Drainage District does not expect any significant changes in next year's results as compared to the current year.

CONTACTING THE NATCHITOCHEES LEVEE AND DRAINAGE DISTRICT'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Natchitoches Levee and Drainage District's finances and to show the Natchitoches Levee and Drainage District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact John Clifton Conine, Assistant Secretary, Post Office Box 1209, Natchitoches, Louisiana 71458.

STATE OF LOUISIANA
NATCHITOCHEs LEVEE AND DRAINAGE DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
ASSETS		
Current Assets		
Cash	\$ 376,988	\$ 307,831
Investments	240,538	239,745
Accounts receivable	18,700	1,048
Prepaid expenses	<u>4,320</u>	<u>9,953</u>
Total Current Assets	640,546	558,577
Noncurrent Assets		
Capital assets, net	92,057	120,803
Utility deposits	<u>65</u>	<u>65</u>
Total Assets	<u>\$ 732,668</u>	<u>\$ 679,445</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts payable and accruals	\$ <u>6,670</u>	\$ <u>4,558</u>
Total Current Liabilities	6,670	4,558
Noncurrent Liabilities		
Compensated Absences payable	<u>14,229</u>	<u>13,683</u>
Total Liabilities	20,899	18,241
NET ASSETS		
Investment in capital assets, net of related debt	92,057	120,803
Unrestricted	<u>619,712</u>	<u>540,401</u>
Total Net Assets	<u>711,769</u>	<u>661,204</u>
Total Liabilities and Net Assets	<u>\$ 732,668</u>	<u>\$ 679,445</u>

The accompanying notes are an integral part of this statement.

EXHIBIT B

STATE OF LOUISIANA
NATCHITOCHEs LEVEE AND DRAINAGE DISTRICT
 STATEMENT OF ACTIVITIES
 FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	2004			2003		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets	Revenue and Changes in Net Assets
General Government						
Personal services	\$ 158,898	\$ 0	\$ 0	\$ 0	\$ (158,898)	\$ (152,828)
Travel	3,297	0	0	0	(3,297)	(3,563)
Operating services	99,068	0	0	0	(99,068)	(63,645)
Supplies	16,720	0	0	0	(16,720)	(14,153)
Professional services	29,580	0	0	0	(29,580)	(29,139)
Depreciation	28,746	0	0	0	(28,746)	(28,746)
Total General Government	\$ 336,309	\$ 0	\$ 0	\$ 0	\$ (336,309)	\$ (292,074)
General Revenues:						
Taxes					324,816	309,293
State revenue sharing					38,995	38,704
Interest income					4,818	7,564
Miscellaneous					18,245	2,432
Total General Revenues					386,874	357,993
Change in Net Assets					50,565	65,919
Net Assets, Beginning of year					661,204	595,285
Net Assets, End of year					\$ 711,769	\$ 661,204

The accompanying notes are an integral part of this statement.

STATE OF LOUISIANA
NATCHITOCHEs LEVEE AND DRAINAGE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
ASSETS		
Cash	\$ 376,988	\$ 307,831
Investments	240,538	239,745
Accounts receivable	18,700	1,048
Prepaid expenses	4,320	9,953
Utility deposits	<u>65</u>	<u>65</u>
Total Assets	<u>\$ 640,611</u>	<u>\$ 558,642</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable and accruals	\$ <u>6,670</u>	\$ <u>4,558</u>
Total Liabilities	<u>6,670</u>	<u>4,558</u>
FUND BALANCES		
Unreserved	<u>633,941</u>	<u>554,084</u>
Total Fund Balances	<u>633,941</u>	<u>554,084</u>
Total Liabilities and Fund Balances	<u>\$ 640,611</u>	<u>\$ 558,642</u>

The accompanying notes are an integral part of this statement.

STATE OF LOUISIANA
NATCHITOCHEs LEVEE AND DRAINAGE DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004

Total Fund Balances for Governmental Funds (Exhibit C)	\$	633,941
Total Net Assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	\$	1,200
Automobiles and Equipment, net of \$187,340 in accumulated depreciation	\$	<u>90,857</u>
Total Capital Assets		92,057
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported in the fund liabilities.		<u>(14,229)</u>
Total Net Assets of Governmental Activities (Exhibit A)	\$	<u>711,769</u>

STATE OF LOUISIANA
 NATCHITOCHEs LEVEE AND DRAINAGE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL
FUNDS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
REVENUES		
Taxes	\$ 324,816	\$ 309,293
State revenue sharing	38,995	38,704
Interest income	4,818	7,564
Miscellaneous	<u>18,245</u>	<u>2,432</u>
Total Revenues	386,874	357,993
EXPENDITURES		
General government		
Personal services	158,352	156,485
Travel	3,297	3,563
Operating services	99,068	63,645
Supplies	16,720	14,153
Professional services	29,580	29,139
Capital outlay	<u>0</u>	<u>0</u>
Total Expenditures	<u>307,017</u>	<u>266,985</u>
Excess/(Deficiency) Of Revenues Over Expenditures	79,857	91,008
Fund Balance, Beginning of year	<u>554,084</u>	<u>463,076</u>
Fund Balance, End of year	<u>\$ 633,941</u>	<u>\$ 554,084</u>

The accompanying notes are an integral part of this statement.

STATE OF LOUISIANA
NATCHITOCHEs LEVEE AND DRAINAGE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Net Change in Fund Balances-Total Governmental Funds (Exhibit E) \$ 79,857

The change in Net Assets reported for governmental activities in the statement of activities is 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. This is the amount by which depreciation (\$28,746) exceeds capital outlays (\$0) in the current period. (28,746)

Some expense reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (546)

Change in Net Assets of Governmental Activities (Exhibit B) \$ 50,565

STATE OF LOUISIANA
NATCHITOCHEs LEVEE AND DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

The Natchitoches Levee and Drainage District was created by the Louisiana State Legislature under the provisions of the Louisiana Revised Statute 38:291(H). The Levee District includes most of Natchitoches Parish. The Levee District primarily provides flood protection for those areas contained in the District. The Board of Commissioners administers the operations and responsibilities of the Levee District in accordance with the provisions of Louisiana statute. The eight members of the Board of Commissioners which governs the District are appointed by the governor of the State of Louisiana.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This Codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

The accompanying financial statements of the Natchitoches Levee and Drainage District present information only as to the transactions of the programs of the Natchitoches Levee and Drainage District as authorized by Louisiana statutes and administrative regulations.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of the Natchitoches Levee and Drainage District are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration-Office of Statewide Reporting and Accounting Policy as Follows:

Revenue Recognition

Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

Expense Recognition

Expenses are recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

B. Budgetary Accounting

Formal budgetary accounting is employed as a management control. The District prepares and adopts a budget prior to July 1 of each year for its general fund in accordance with Louisiana Revised Statutes. The operating budget is prepared based on prior year's revenues and expenditures and the estimated increase therein for the current year, using the full accrual basis of accounting. The District amends its budget when projected revenues are expected to be less than budgeted revenues by five percent or more and/or projected expenditures are expected to be more than budgeted amounts by five percent or more. All budget appropriations lapse at year end.

STATE OF LOUISIANA
NATCHITOCHEs LEVEE AND DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Budgetary Accounting (Continued)

State appropriations made for the operations of the various programs of the Natchitoches Levee and Drainage District are annual lapsing appropriations.

1. The budgetary process is an annual appropriation valid for one year.
2. The agency is prohibited by statute from over expending the categories established in the budget.
3. Budget revisions are granted by the Joint Legislative Budget Committee, a committee of the Louisiana Legislature. Interim emergency appropriations may be granted by the Interim Emergency Board.
4. The budgetary information included in the financial statements include the original appropriation plus subsequent amendments as follows:

Original Approved Budget	\$	0
Amendments		0
Final Approved Budget	<u>\$</u>	<u>0</u>

C. Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows and consistent with GASB Statement 9, the District defines cash and cash equivalents as follows:

Cash - includes not only currency on hand but also demand deposits with banks or other financial institutions and other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty.

Cash equivalents - includes all short term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of interest rates. Generally, only investments which, at the day of purchase, have a maturity date no longer than three months qualify under this definition.

D. Receivables

All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible.

E. Bad Debts

Uncollectible accounts receivable are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. At June 30, 2004, \$0 were considered to be uncollectible.

STATE OF LOUISIANA
NATCHITOCHEES LEVEE AND DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Capital Assets

Capital assets are carried at historical costs. Depreciation of all exhaustible capital assets used by the District are charged as an expense against operations in the Statement of Activities. Capital assets net of accumulated depreciation are reported on the Statement of Net Assets. Depreciation is computed using the straight line method over the estimated useful life of the assets, generally 10 to 40 years for buildings and building improvements and 5 to 10 years for moveable property. Expenditures for maintenance, repairs and minor renewals are charged to earnings as incurred. Major expenditures for renewals and betterments are capitalized.

G. Compensated Absences

District employees, both classified and unclassified, earn annual and sick leave at various rates depending on the number of years in service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, an employee is compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, the number of hours of unused sick leave is computed and considered in computing the years of service for retirement benefit purposes.

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

A. Deposits with Financial Institutions

For reporting purposes, deposits with financial institutions including savings, demand deposits, time deposits, and certificates of deposit. Under state law the Natchitoches Levee and Drainage District may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further the District may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

Deposits in bank accounts are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the State Treasurer. The deposits at June 30, 2004 were secured as follows:

STATE OF LOUISIANA
NATCHITOCHEs LEVEE AND DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004

NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (CONTINUED)

	Cash	Certificates of Deposit	Total
Deposits in bank accounts per balance sheet	<u>\$ 376,988</u>	<u>\$ 239,838</u>	<u>\$ 616,826</u>
	Cash	Certificates of Deposit	Total
Bank Balances (Category 3 Only, If Any)			
a. Uninsured and uncollateralized	\$ 0	\$ 0	\$ 0
b. Uninsured and uncollateralized with securities held by the pledging institution	0	0	0
c. Uninsured and uncollateralized with securities held by the pledging institution's trust department or agent but not in the entity's name	<u>0</u>	<u>0</u>	<u>0</u>
Total Category 3 Bank Balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Bank Balances (All Categories Including Category 3 Reported Above)	<u>\$ 388,502</u>	<u>\$ 239,838</u>	<u>\$ 628,340</u>

The following is a breakdown by banking institution and amount of the balances shown above:

Banking Institution	Amount
Peoples State Bank	<u>\$ 628,340</u>
Total	<u>\$ 628,340</u>

B. Investments

The Natchitoches Levee and Drainage District maintains investment accounts as authorized by the Louisiana Revised Statutes. Under state law, the District may invest in obligations of the U. S. Treasury and U. S. Agencies, or certificates of deposit. Investments are carried at fair market value as of the balance sheet date.

Investments can be classified according to the level of risk to the entity. Investments made by the Natchitoches Levee and Drainage District as of June 30, 2004 are summarized below by the category of risk.

- Category 1 Insured or registered in the entity's name, or security held by the entity or its agent in the entity's name.
- Category 2 Uninsured or registered with securities held by the counterparty's trust department or agent in the entity's name.
- Category 3 Unsecured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the entity's name.

STATE OF LOUISIANA
NATCHITOCHEES LEVEE AND DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004

NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (CONTINUED)

Type of Investments	Amount Reported in Risk Category 3, If Any		Total Reported Amount - All Categories (Including Category 3)	Total Fair Value - All Categories (Including Category 3)
	Held By Counterparty	Held By Counterparty's Trust Dept. Or Agent Not In Entity's Name		
Valley Farmers Preferred Stock	\$ 0	\$ 0	\$ 700	\$ 700
Total	\$ 0	\$ 0	\$ 700	\$ 700

NOTE 3 ACCOUNTS RECEIVABLE

The following is a summary of accounts receivable at June 30, 2004:

Class of Receivable	
Interest	\$ 700
Other	18,000
Total	\$ 18,700

NOTE 4 CAPITAL ASSETS

A summary of the Natchitoches Levee and Drainage District's capital assets at June 30, 2004 follows:

	Balance July 1, 2003	Additions	Retirements	Balance June 30, 2004
Capital Assets, not being depreciated				
Land	\$ 1,200	\$ 0	\$ 0	\$ 1,200
Total Capital Assets, not being depreciated	1,200	0	0	1,200
Capital Assets, being depreciated				
Buildings and building improvements	0	0	0	0
Less accumulated depreciation	0	0	0	0
Total Buildings and building improvements	0	0	0	0
Automobiles and equipment	358,013	0	(79,816)	278,197
Less accumulated depreciation:	(238,410)	(28,746)	79,816	(187,340)
Total Automobiles and equipment	119,603	(28,746)	0	90,857
Total Capital Assets, being depreciated	119,603	(28,746)	0	90,857
Total Capital Assets, net	\$ 120,803	\$ (28,746)	\$ 0	\$ 92,057

STATE OF LOUISIANA
NATCHITOCHEES LEVEE AND DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004

NOTE 5 ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of accounts payable at June 30, 2004:

Class of Payable		
Vendor	\$	5,136
Salaries and benefits		1,534
Total	\$	6,670

NOTE 6 COMPENSATED ABSENCES

At June 30, 2004, employees of the Natchitoches Levee and Drainage District had accumulated \$13,683 in annual leave benefits which were computed in accordance with GASB Codification Section C 60. The following is a summary of the changes in accumulated annual leave benefits for the year ended June 30, 2004.

Compensated absences payable, beginning of year	\$	13,683
Additions		6,117
Deletions		(5,571)
Compensated absences payable, end of year	\$	14,229

NOTE 7 RETIREMENT SYSTEM

Substantially all employees of the Natchitoches Levee and Drainage District are members of the Louisiana State Employees' Retirement System (System), a cost-sharing, multiple-employer, defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefits of state employees, which is administered and controlled by a separate board of trustees. All full time employees of the District are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service.

Vested employees are entitled to a retirement benefit, payable monthly for life at a) any age with 30 years of service, b) age 55 with 25 years of service, or c) age 60 with 10 years of service. In addition, vested employees have the option of reduced benefits at any age with 20 years of service. The System also provides death and disability benefits. Benefits are established or amended by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608.

Members are required by state statute to contribute 7.5 percent of their annual covered salary and the Natchitoches Levee and Drainage District is required to contribute at an actuarially determined rate. The current employer rate is 15.8 percent of annual covered payroll. The contribution requirements of plan members and the office are established and may be amended by state statute. As provided by state statute, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The District's contribution to the System for the year ending June 30, 2004, 2003 and 2002 were \$13,787, \$8,792 and \$12,882, respectively, equal to the required contribution for each year.

STATE OF LOUISIANA
NATCHITOCHE'S LEVEE AND DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004

NOTE 8 POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The Natchitoches Levee and Drainage District currently provides certain continuing healthcare and life insurance benefits for its retired employees. Substantially all of the District's employees become eligible for these benefits if they reach normal retirement age while working for the District. The District pays half of the premium cost for its retirees and all of the premium cost for its active employees. These benefits are provided through a self-insurance fund which is reinsured by an insurance company. The District recognizes the cost of providing these benefits as an expense when the monthly premiums are paid, which totaled \$33,776 for the year ended June 30, 2004. The cost of providing these benefits to retirees totaled \$7,851 for the year ended June 30, 2004. As of June 30, 2004, there were 3 active employees and 1 retiree participating in the plan.

NOTE 9 LEASE OBLIGATIONS

The Natchitoches Levee and Drainage District was not obligated under any capital or operating lease commitments at June 30, 2004.

NOTE 10 RISK MANAGEMENT

The Natchitoches Levee and Drainage District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District.

NOTE 11 LITIGATION

There was no outstanding litigation against the Natchitoches Levee and Drainage District at June 30, 2004.

NOTE 12 SUBSEQUENT EVENTS

Capital Lease of Equipment

On July 14, 2004, The Natchitoches Levee and Drainage District entered into a sixty month municipal equipment lease purchase agreement for the purchase of a crawler dozer for \$156,517.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF LOUISIANA
 NATCHITOCHEs LEVEE AND DRAINAGE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Original/Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Fav./Unfav.</u>
REVENUES			
Taxes	\$ 260,657	\$ 324,816	\$ 64,159
State revenue sharing	7,323	38,995	31,672
Interest income	0	4,818	4,818
Miscellaneous	<u>18,000</u>	<u>18,245</u>	<u>245</u>
Total Revenues	285,980	386,874	100,894
EXPENDITURES			
General government			
Personal services	142,383	158,352	(15,969)
Travel	466	3,297	(2,831)
Operating services	100,231	99,068	1,163
Supplies	4,000	16,720	(12,720)
Professional services	27,500	29,580	(2,080)
Capital outlay	<u>20,000</u>	<u>0</u>	<u>20,000</u>
Total Expenditures	<u>294,580</u>	<u>307,017</u>	<u>(12,437)</u>
Excess/(Deficiency) Of Revenues Over Expenditures	(8,600)	79,857	88,457
Fund Balance, Beginning of year	<u>554,084</u>	<u>554,084</u>	<u>0</u>
Fund Balance, End of year	<u>\$ 545,484</u>	<u>\$ 633,941</u>	<u>\$ 88,457</u>

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE 2

STATE OF LOUISIANA
NATCHITOCHEs LEVEE AND DRAINAGE DISTRICT
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
FOR THE YEAR ENDED JUNE 30, 2004

<u>Commissioners</u>	
Adolph Sklar, Jr.	\$ 750
Alfred Bruning	975
Billy Giddens	975
Janet Jones	825
John Clifton Conine	975
Joseph Ned Henry, Jr.	900
Karlton Methvin	975
Milton McDonald	<u>1,050</u>
Total	<u>\$ 7,425</u>

The schedule of compensation paid board members was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Per diem payments are authorized by Louisiana Revised Statute 38:308 and are included in the personal services expenses. Board members are paid \$75 per day to a maximum of 36 days per year for board meetings and/or official business. The board president may receive compensation not to exceed \$1,000 per month in lieu of per diem.

SCHEDULE 3

STATE OF LOUISIANA
NATCHITOCHEs LEVEE AND DRAINAGE DISTRICT
SCHEDULE OF STATE FUNDING
JUNE 30, 2004

DESCRIPTION OF FUNDING

State Revenue Sharing

\$ 38,995

STATE OF LOUISIANA
NATCHITOCHEs LEVEE AND DRAINAGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

SECTION #1

SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

- | | | |
|----|---|-------------|
| 1. | Type of auditors' report issued. | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a) Material weaknesses identified? | None |
| | b) Reportable conditions identified not considered to be material weaknesses? | None |
| | c) Noncompliance material to the financial statements noted? | None |

SECTION #2

FINANCIAL STATEMENT FINDINGS

None reported.

HINES, JACKSON & HINES, L.L.C.

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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
Natchitoches Levee and Drainage District
Natchitoches, Louisiana

We have audited the basic financial statements of the Natchitoches Levee and Drainage District, a component unit of the State of Louisiana, as of and for the year ended June 30, 2004, and have issued our report thereon dated August 17, 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 Natchitoches Levee and Drainage District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Natchitoches Levee and Drainage District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 misstatement 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. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of the Natchitoches Levee and Drainage District and the Legislative Auditor of the State of Louisiana and is not intended to be, and should not be, used by anyone other than the specified parties. Under Louisiana Revised State 24:513, this report is distributed by the Legislative Auditor as a public document.

Hines, Jackson & Hines

Natchitoches, Louisiana
August 17, 2004

STATE OF LOUISIANA
NATCHITOCHEs LEVEE AND DRAINAGE DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
-----------------	---	-------------------------------	---	--

Nothing came to our attention that would require disclosure under Government Auditing Standards.

STATE OF LOUISIANA
NATCHITOCHEs LEVEE AND DRAINAGE DISTRICT
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004

<u>Ref. No.</u>	<u>Description of Finding</u>	<u>Correct Action Planned</u>	<u>Name(s) of Contact Person(s)</u>	<u>Anticipated Completion Date</u>
-----------------	-----------------------------------	-------------------------------	---	--

Nothing came to our attention that would require disclosure under Government Auditing Standards.

**DIVISION OF ADMINISTRATION
REPORTING PACKAGE**

STATE OF LOUISIANA
NATCHITOCHEs LEVEE AND DRAINAGE DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004 AND 2003

	2004	2003
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 376,988	\$ 307,831
Investments	240,538	239,745
Accounts receivable	18,700	1,048
Prepaid expenses	4,320	9,953
Total Current Assets	640,546	558,577
Noncurrent Assets		
Capital assets, net	92,057	120,803
Utility deposits	65	65
Total Assets	\$ 732,668	\$ 679,445
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts payable and accruals	\$ 6,670	\$ 4,558
Total Current Liabilities	6,670	4,558
Noncurrent Liabilities		
Compensated absences payable	14,229	13,683
Total Liabilities	20,899	18,241
NET ASSETS		
Investment in capital assets, net of related debt	92,057	120,803
Unrestricted	619,712	540,401
Total Net Assets	711,769	661,204
Total Liabilities and Net Assets	\$ 732,668	\$ 679,445

The accompanying notes are an integral part of this statement.

STATE OF LOUISIANA
 NATCHITOCHEs LEVEE AND DRAINAGE DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET ASSETS
 FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
OPERATING REVENUES		
Operating grants and contributions	\$ 0	\$ 0
Total Operating Revenues	<u>0</u>	<u>0</u>
OPERATING EXPENDITURES		
Personal services	158,898	152,828
Travel	3,297	3,563
Operating services	99,068	63,645
Supplies	16,720	14,153
Professional services	29,580	29,139
Depreciation	28,746	28,746
Total Operating Expenditures	<u>336,309</u>	<u>292,074</u>
Operating Income/(Loss)	(336,309)	(292,074)
NONOPERATING REVENUES/(EXPENSES)		
Taxes	324,816	309,293
State revenue sharing	38,995	38,704
Interest income	4,818	7,564
Miscellaneous	18,245	2,432
Total Nonoperating Revenues/(Expenses)	<u>386,874</u>	<u>357,993</u>
Change in Net Assets	50,565	65,919
Total Net Assets, Beginning of year	<u>661,204</u>	<u>595,285</u>
Total Net Assets, End of year	<u>\$ 711,769</u>	<u>\$ 661,204</u>

The accompanying notes are an integral part of this statement.

EXHIBIT I

STATE OF LOUISIANA
NATCHITOCHESE LEVEE AND DRAINAGE DISTRICT
 STATEMENT OF ACTIVITIES
 FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	2004			2003	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Natchitoches Levee and Drainage District	\$ 336,309	\$ 0	\$ 0	\$ 0	\$ (292,074)
General Revenues:					
Taxes					309,293
State revenue sharing					38,704
Interest income					7,564
Miscellaneous					2,432
Total General Revenues					<u>357,993</u>
Change in Net Assets				50,565	65,919
Net Assets, Beginning of year				<u>661,204</u>	<u>595,285</u>
Net Assets, End of year				<u>\$ 711,769</u>	<u>\$ 661,204</u>

The accompanying notes are an integral part of this statement.

STATE OF LOUISIANA
NATCHITOCHEs LEVEE AND DRAINAGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
Cash Flows From Operating Activities		
Cash payments to suppliers for goods and services	\$ (140,759)	\$ (115,406)
Cash payments to employees and board members for services	(158,513)	(154,790)
Other operating revenues/(expenses)	<u>0</u>	<u>0</u>
Net Cash From Operating Activities	(299,272)	(270,196)
Cash Flows From Non-Capital Financing Activities		
Cash receipts of taxes	324,816	309,293
State revenue sharing	38,995	38,704
Miscellaneous revenues	<u>245</u>	<u>1,384</u>
Net Cash From Non-Capital Financing Activities	364,056	349,381
Cash Flows From Capital and Related Financing Activities		
Acquisition/construction of capital assets	<u>0</u>	<u>(48,006)</u>
Net Cash From Capital and Related Financing Activities	0	(48,006)
Cash Flows From Investing Activities		
Interest income	<u>4,373</u>	<u>9,197</u>
Cash Flows From Investing Activities	4,373	9,197
Net Increase in Cash and Cash Equivalents	69,157	40,376
Cash and Cash Equivalents, Beginning of year	<u>307,831</u>	<u>267,455</u>
Cash and Cash Equivalents, End of year	<u>\$ 376,988</u>	<u>\$ 307,831</u>
	<u>2004</u>	<u>2003</u>
Reconciliation of Operating Loss to Net Cash From Operating Activities		
Operating income/(loss)	\$ (336,309)	\$ (292,074)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation expense	28,746	28,746
(Increase)/decrease in operating assets		
Accounts receivable	0	0
Prepaid expenses	5,633	(8,025)
Other assets	0	3,044
Increase/(decrease) in operating liabilities		
Accounts payable and accruals	2,112	1,770
Compensated absences payable	<u>546</u>	<u>(3,657)</u>
Net Cash Flows From Operating Activities	<u>\$ (299,272)</u>	<u>\$ (270,196)</u>

The accompanying notes are an integral part of this statement.

STATE OF LOUISIANA
NATCHITOCHEES LEVEE AND DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

The Natchitoches Levee and Drainage District was created by the Louisiana State Legislature under the provisions of the Louisiana Revised Statute 38:291(H). The Levee District includes most of Natchitoches Parish. The Levee District primarily provides flood protection for those areas contained in the District. The Board of Commissioners administers the operations and responsibilities of the Levee District in accordance with the provisions of Louisiana statute. The eight members of the Board of Commissioners which governs the District are appointed by the governor of the State of Louisiana.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This Codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

The accompanying financial statements of the Natchitoches Levee and Drainage District present information only as to the transactions of the programs of the Natchitoches Levee and Drainage District as authorized by Louisiana statutes and administrative regulations.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of the Natchitoches Levee and Drainage District are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration-Office of Statewide Reporting and Accounting Policy as Follows:

Revenue Recognition

Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

Expense Recognition

Expenses are recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

B. Budgetary Accounting

Formal budgetary accounting is employed as a management control. The District prepares and adopts a budget prior to July 1 of each year for its general fund in accordance with Louisiana Revised Statutes. The operating budget is prepared based on prior year's revenues and expenditures and the estimated increase therein for the current year, using the full accrual basis of accounting. The District amends its budget when projected revenues are expected to be less than budgeted revenues by five percent or more and/or projected expenditures are expected to be more than budgeted amounts by five percent or more. All budget appropriations lapse at year end.

STATE OF LOUISIANA
NATCHITOCHEES LEVEE AND DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Budgetary Accounting (Continued)

State appropriations made for the operations of the various programs of the Natchitoches Levee and Drainage District are annual lapsing appropriations.

1. The budgetary process is an annual appropriation valid for one year.
2. The agency is prohibited by statute from over expending the categories established in the budget.
3. Budget revisions are granted by the Joint Legislative Budget Committee, a committee of the Louisiana Legislature. Interim emergency appropriations may be granted by the Interim Emergency Board.
4. The budgetary information included in the financial statements include the original appropriation plus subsequent amendments as follows:

Original Approved Budget	\$	0
Amendments		<u>0</u>
Final Approved Budget	\$	<u><u>0</u></u>

C. Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows and consistent with GASB Statement 9, the District defines cash and cash equivalents as follows:

Cash - includes not only currency on hand but also demand deposits with banks or other financial institutions and other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty.

Cash equivalents - includes all short term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of interest rates. Generally, only investments which, at the day of purchase, have a maturity date no longer than three months qualify under this definition.

D. Receivables

All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible.

E. Bad Debts

Uncollectible accounts receivable are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. At June 30, 2004, \$0 were considered to be uncollectible.

STATE OF LOUISIANA
NATCHITOCHEES LEVEE AND DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Capital Assets

Capital assets are carried at historical costs. Depreciation of all exhaustible capital assets used by the District are charged as an expense against operations in the Statement of Activities. Capital assets net of accumulated depreciation are reported on the Statement of Net Assets. Depreciation is computed using the straight line method over the estimated useful life of the assets, generally 10 to 40 years for buildings and building improvements and 5 to 10 years for moveable property. Expenditures for maintenance, repairs and minor renewals are charged to earnings as incurred. Major expenditures for renewals and betterments are capitalized.

G. Compensated Absences

District employees, both classified and unclassified, earn annual and sick leave at various rates depending on the number of years in service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, an employee is compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, the number of hours of unused sick leave is computed and considered in computing the years of service for retirement benefit purposes.

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

A. Deposits with Financial Institutions

For reporting purposes, deposits with financial institutions including savings, demand deposits, time deposits, and certificates of deposit. Under state law the Natchitoches Levee and Drainage District may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further the District may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

Deposits in bank accounts are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the State Treasurer. The deposits at June 30, 2004 were secured as follows:

STATE OF LOUISIANA
NATCHITOCHE LEVEE AND DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004

NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (CONTINUED)

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Deposits in bank accounts per balance sheet	\$ 376,988	\$ 239,838	\$ 616,826
	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Bank Balances (Category 3 Only, If Any)			
a. Uninsured and uncollateralized	\$ 0	\$ 0	\$ 0
b. Uninsured and uncollateralized with securities held by the pledging institution	0	0	0
c. Uninsured and uncollateralized with securities held by the pledging institution's trust department or agent but not in the entity's name	<u>0</u>	<u>0</u>	<u>0</u>
Total Category 3 Bank Balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Bank Balances (All Categories Including Category 3 Reported Above)	<u>\$ 388,502</u>	<u>\$ 239,838</u>	<u>\$ 628,340</u>

The following is a breakdown by banking institution and amount of the balances shown above:

<u>Banking Institution</u>	<u>Amount</u>
Peoples State Bank	<u>\$ 628,340</u>
Total	<u>\$ 628,340</u>

B. Investments

The Natchitoches Levee and Drainage District maintains investment accounts as authorized by the Louisiana Revised Statutes. Under state law, the District may invest in obligations of the U. S. Treasury and U. S. Agencies, or certificates of deposit. Investments are carried at fair market value as of the balance sheet date.

Investments can be classified according to the level of risk to the entity. Investments made by the Natchitoches Levee and Drainage District as of June 30, 2004 are summarized below by the category of risk.

- Category 1 Insured or registered in the entity's name, or security held by the entity or its agent in the entity's name.
- Category 2 Uninsured or registered with securities held by the counterparty's trust department or agent in the entity's name.
- Category 3 Unsecured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the entity's name.

STATE OF LOUISIANA
NATCHITOCHE LEVEE AND DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004

NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (CONTINUED)

Type of Investments	Amount Reported in Risk Category 3, If Any		Total Reported Amount - All Categories (Including Category 3)	Total Fair Value - All Categories (Including Category 3)
	Held By Counterparty	Held By Counterparty's Trust Dept. Or Agent Not In Entity's Name		
Valley Farmers Preferred Stock	\$ 0	\$ 0	\$ 700	\$ 700
Total	\$ 0	\$ 0	\$ 700	\$ 700

NOTE 3 ACCOUNTS RECEIVABLE

The following is a summary of accounts receivable at June 30, 2004:

Class of Receivable	
Interest	\$ 700
Other	18,000
Total	<u>\$ 18,700</u>

NOTE 4 CAPITAL ASSETS

A summary of the Natchitoches Levee and Drainage District's capital assets at June 30, 2004 follows:

	Balance July 1, 2003	Additions	Retirements	Balance June 30, 2004
Capital Assets, not being depreciated				
Land	\$ 1,200	\$ 0	\$ 0	\$ 1,200
Total Capital Assets, not being depreciated	1,200	0	0	1,200
Capital Assets, being depreciated				
Buildings and building improvements	0	0	0	0
Less accumulated depreciation	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Buildings and building improvements	0	0	0	0
Automobiles and equipment	358,013	0	(79,816)	278,197
Less accumulated depreciation:	<u>(238,410)</u>	<u>(28,746)</u>	<u>79,816</u>	<u>(187,340)</u>
Total Automobiles and equipment	<u>119,603</u>	<u>(28,746)</u>	<u>0</u>	<u>90,857</u>
Total Capital Assets, being depreciated	<u>119,603</u>	<u>(28,746)</u>	<u>0</u>	<u>90,857</u>
Total Capital Assets, net	<u>\$ 120,803</u>	<u>\$ (28,746)</u>	<u>\$ 0</u>	<u>\$ 92,057</u>

STATE OF LOUISIANA
NATCHITOCHEs LEVEE AND DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004

NOTE 5 ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of accounts payable at June 30, 2004:

Class of Payable		
Vendor	\$	5,136
Salaries and benefits		1,534
Total	\$	6,670

NOTE 6 COMPENSATED ABSENCES

At June 30, 2004, employees of the Natchitoches Levee and Drainage District had accumulated \$13,683 in annual leave benefits which were computed in accordance with GASB Codification Section C 60. The following is a summary of the changes in accumulated annual leave benefits for the year ended June 30, 2004.

Compensated absences payable, beginning of year	\$	13,683
Additions		6,117
Deletions		(5,571)
Compensated absences payable, end of year	\$	14,229

NOTE 7 RETIREMENT SYSTEM

Substantially all employees of the Natchitoches Levee and Drainage District are members of the Louisiana State Employees' Retirement System (System), a cost-sharing, multiple-employer, defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefits of state employees, which is administered and controlled by a separate board of trustees. All full time employees of the District are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service.

Vested employees are entitled to a retirement benefit, payable monthly for life at a) any age with 30 years of service, b) age 55 with 25 years of service, or c) age 60 with 10 years of service. In addition, vested employees have the option of reduced benefits at any age with 20 years of service. The System also provides death and disability benefits. Benefits are established or amended by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608.

Members are required by state statute to contribute 7.5 percent of their annual covered salary and the Natchitoches Levee and Drainage District is required to contribute at an actuarially determined rate. The current employer rate is 15.8 percent of annual covered payroll. The contribution requirements of plan members and the office are established and may be amended by state statute. As provided by state statute, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The District's contribution to the System for the year ending June 30, 2004, 2003 and 2002 were \$13,787, \$8,792 and \$12,882, respectively, equal to the required contribution for each year.

STATE OF LOUISIANA
NATCHITOCHEES LEVEE AND DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004

NOTE 8 POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The Natchitoches Levee and Drainage District currently provides certain continuing healthcare and life insurance benefits for its retired employees. Substantially all of the District's employees become eligible for these benefits if they reach normal retirement age while working for the District. The District pays half of the premium cost for its retirees and all of the premium cost for its active employees. These benefits are provided through a self-insurance fund which is reinsured by an insurance company. The District recognizes the cost of providing these benefits as an expense when the monthly premiums are paid, which totaled \$33,776 for the year ended June 30, 2004. The cost of providing these benefits to retirees totaled \$7,851 for the year ended June 30, 2004. As of June 30, 2004, there were 3 active employees and 1 retiree participating in the plan.

NOTE 9 LEASE OBLIGATIONS

The Natchitoches Levee and Drainage District was not obligated under any capital or operating lease commitments at June 30, 2004.

NOTE 10 RISK MANAGEMENT

The Natchitoches Levee and Drainage District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District.

NOTE 11 LITIGATION

There was no outstanding litigation against the Natchitoches Levee and Drainage District at June 30, 2004.

NOTE 12 SUBSEQUENT EVENTS

Capital Lease of Equipment

On July 14, 2004, The Natchitoches Levee and Drainage District entered into a sixty month municipal equipment lease purchase agreement for the purchase of a crawler dozer for \$156,517.

SUPPLEMENTAL SCHEDULES

STATE OF LOUISIANA
NATCHITOCHEs LEVEE AND DRAINAGE DISTRICT
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
FOR THE YEAR ENDED JUNE 30, 2004

<u>Commissioners</u>	
Adolph Sklar, Jr.	\$ 750
Alfred Bruning	975
Billy Giddens	975
Janet Jones	825
John Clifton Conine	975
Joseph Ned Henry, Jr.	900
Karlton Methvin	975
Milton McDonald	<u>1,050</u>
Total	<u>\$ 7,425</u>

The schedule of compensation paid board members was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Per diem payments are authorized by Louisiana Revised Statute 38:308 and are included in the personal services expenses. Board members are paid \$75 per day to a maximum of 36 days per year for board meetings and/or official business. The board president may receive compensation not to exceed \$1,000 per month in lieu of per diem.

SCHEDULE 8

STATE OF LOUISIANA
NATCHITOCHEs LEVEE AND DRAINAGE DISTRICT
SCHEDULE OF STATE FUNDING
JUNE 30, 2004

DESCRIPTION OF FUNDING

State Revenue Sharing

\$ 38,995

STATE OF LOUISIANA
NATCHITOCHEs LEVEE AND DRAINAGE DISTRICT
SCHEDULE OF LONG-TERM DEBT
JUNE 30, 2004

None.

STATE OF LOUISIANA
NATCHITOCHEs LEVEE AND DRAINAGE DISTRICT
SCHEDULE OF LONG-TERM DEBT AMORTIZATION
JUNE 30, 2004

None.