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**CREOLE NATURE TRAIL SCENIC
BYWAY DISTRICT
FINANCIAL REPORT
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 9.1.04

CREOLE NATURE TRAIL SCENIC
BYWAY DISTRICT

Lake Charles, Louisiana

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CREOLE NATURE TRAIL SCENIC
BYWAY DISTRICT

December 31, 2003

COMMISSIONERS

Monte Hurley - Chairman
Sammie Faulk - Vice-Chairman
Shelley Johnson - Secretary/Treasurer
Jimmy Brown - Board Member
Michael Dees - Board Member
Pat Doland - Board Member
Paul Guillory - Board Member
Robert Henningan (or his designee) - Board Member
Tina Horn - Board Member

McELROY, QUIRK & BURCH

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REPORT OF INDEPENDENT AUDITORS

Board of Commissioners
Creole Nature Trail
Scenic Byway District
Lake Charles, Louisiana

We have audited the accompanying general purpose financial statements of the Creole Nature Trail Scenic Byway District as of and for the year ended December 31, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of Creole Nature Trail Scenic Byway 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Creole Nature Trail Scenic Byway 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2004 on our consideration of the Creole Nature Trail Scenic Byway District's internal control over financial reporting and our test 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.

Ms Elroy, Quirk & Burch

Lake Charles, Louisiana
April 22, 2004

CREOLE NATURE TRAIL SCENIC
BYWAY DISTRICT

BALANCE SHEET - GOVERNMENTAL FUND TYPE
December 31, 2003

<u>ASSETS</u>	<u>Special Revenue</u>
Cash	\$ 238,964
Accounts receivable	<u>51,254</u>
Total assets	<u>\$ 290,218</u>
 <u>LIABILITIES AND FUND EQUITY</u>	
Liabilities:	
Accounts payable	\$ 28,776
Fund balance:	
Unreserved	<u>261,442</u>
Total liabilities and fund equity	<u>\$ 290,218</u>

See Notes to Financial Statements.

CREOLE NATURE TRAIL SCENIC
BYWAY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND TYPE
Year Ended December 31, 2003

Revenues:

Intergovernmental revenue:

Louisiana Department of Transportation and Development and Federal Highway Administration	\$ 326,659
Southwest Louisiana Convention and Visitors Bureau	92,699
Cameron Parish Police Jury	30,200
Interest	<u>1,554</u>
Total revenues	<u>451,112</u>

Expenditures:

Current operating:

Trade shows	2,753
Turnouts	374,611
Marketing plan	17,455
Accounting	<u>2,743</u>
Total expenditures	<u>397,562</u>

Excess of revenues over expenditures 53,550

Fund balance at beginning of year 207,892

Fund balance at end of year \$ 261,442

See Notes to Financial Statements.

CREOLE NATURE TRAIL SCENIC
BYWAY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND TYPE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
Year Ended December 31, 2003

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Intergovernmental revenue:			
Louisiana Department of Transportation and Development and Federal Highway Administration	\$ 286,234	\$ 286,234	\$ -
Southwest Louisiana Convention and Visitors Bureau	92,699	92,699	-
Cameron Parish Police Jury	30,200	30,200	-
Interest	<u>1,554</u>	<u>1,502</u>	<u>52</u>
Total revenues	<u>410,687</u>	<u>410,635</u>	<u>52</u>
Expenditures:			
Current operating:			
Trade shows	2,753	2,753	-
Turnouts	345,833	345,833	-
Marketing plan	17,455	17,455	-
Accounting	<u>2,743</u>	<u>2,743</u>	<u>-</u>
Total expenditures	<u>368,784</u>	<u>368,784</u>	<u>-</u>
Excess of revenues over expenditures (budget basis	41,903	<u>\$ 41,851</u>	<u>\$ 52</u>
Adjustment to GAAP basis:			
To adjust revenues for accruals	40,425		
To adjust expenditures for accruals	<u>(28,778)</u>		
Excess of revenues over expenditures (GAAP basis)	53,550		
Fund balance at beginning of year	<u>207,892</u>		
Fund balance at end of year	<u>\$ 261,442</u>		

See Notes to Financial Statements.

CREOLE NATURE TRAIL SCENIC
BYWAY DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The accounting policies of Creole Nature Trail Scenic Byway District, conform to accounting principles generally accepted in the United States of America as applicable to governmental units. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*. The following is a summary of the more significant policies:

A. Financial Reporting Entity

The accompanying financial statements include the various activities that are within the control and authority of the Board of Commissioners of the Creole Nature Trail Scenic Byway District. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 14 of the Governmental Accounting Standards Board. This statement defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

The Creole Nature Trail Scenic Byway District was created by Act 539 of the Louisiana Legislature on June 18, 1995, as a body politic and corporate and a political subdivision of the State of Louisiana. The purpose of the District is to stimulate economic development and tourism in the parishes of Calcasieu and Cameron. The Creole Nature Trail Scenic Byway District is governed by a board of commissioners consisting of nine members as follows:

- Two members selected by the Calcasieu Parish Police Jury
- Three members selected by the Cameron Parish Police Jury
- One member selected by the Southwest Louisiana Convention and Visitors Bureau
- One member selected by the Cameron Parish Tourism Commission
- The secretary of the Department of Transportation and Development, ex officio or his designee
- One member selected by the Calcasieu and Cameron Parish legislative delegation.

NOTES TO FINANCIAL STATEMENTS

The members of the board of commissioners shall serve four-year terms and shall serve until their successors have been appointed and qualified.

Based on the foregoing criteria, the Creole Nature Trail Scenic Byway District has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of the Creole Nature Trail Scenic Byway District.

B. Fund Accounting

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

GOVERNMENTAL FUND

Special Revenue Fund - Special Revenue Funds are used to account for specific revenue sources that are legally restricted to expenditures for specified purposes.

C. Fixed Assets and Long-Term Liabilities

The Creole Nature Trail Scenic Byway District has acquired no fixed assets at this date.

The Creole Nature Trail Scenic Byway District has incurred no long-term liabilities.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or 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.

NOTES TO FINANCIAL STATEMENTS

The governmental funds are maintained on the modified accrual basis of accounting, utilizing the following practices in recording revenues and expenditures.

Revenues - The governmental fund type uses a current financial resources measurement focus and is accounted for using the modified accrual basis of accounting. The revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Those revenues susceptible to accrual are intergovernmental revenue.

Expenditures - Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

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

E. Budgets and Budgetary Accounting

The Secretary-Treasurer prepares a proposed budget and submits same to the Board of Commissioners prior to the beginning of each fiscal year. The operating budget includes proposed expenditures and the means of financing them.

Any revisions that alter total expenditures of any fund must be approved by the Board of Commissioners. All budgetary appropriations lapse at the end of each fiscal year. Encumbrance accounting is not used.

During the year ended December 31, 2003, budgeted amounts for revenues were decreased approximately \$236,780 and expenditures were decreased approximately \$366,560. The major portion of the changes is represented by the delay in approval of a grant application and deferring of related expenditures.

NOTES TO FINANCIAL STATEMENTS

The budget for the Special Revenue Fund is prepared using the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP).

F. Cash

The District is authorized by state statutes to open depositories in only those banks with branch offices in the state. State statutes also authorize the District to invest in U.S. Bonds and Treasury Notes and other federally insured instruments. Investments in time certificates of deposit can be placed with Louisiana state banks or with national banks having their principal office in the state. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

G. Bad Debts

No reserve for uncollectible receivables had been recorded as of December 31, 2003, all receivables were considered collectible.

H. Recent Accounting Pronouncements

In June 1999, the Government Accounting Standards Board issued GASB No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This statement requires special purpose governments to redraft their financial statements to include a section for management discussion and analysis, enterprise fund financial statements (defined to include a statement of net assets; a statement of revenues, expenses and changes in fund net assets; and a statement of cash flows), notes to the financial statements, and required supplementary information. This statement is effective for Creole Nature Trail Scenic Byway District for fiscal years beginning after June 15, 2003. The Creole Nature Trail Scenic Byway District does not anticipate that the adoption of GASB No. 34 will have a material effect on its financial position or results of operations.

2. Cash

The Creole Nature Trail Scenic Byway District maintains demand (cash) deposits through a local depository bank which is a member of the Federal Reserve System.

NOTES TO FINANCIAL STATEMENTS

Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. Government, obligations issued or guaranteed by an agency established by the U.S. Government, general obligation bonds of any state of the U.S., or of any Louisiana parish, municipality or school district.

Cash and certificates of deposit of the District are classified into three categories to give an indication of the level of risk assumed at year end. Category 1 represents those deposits insured (inclusive of FDIC) or collateralized with securities held by the District or its agent in the District's name. Category 2 represents deposits collateralized with securities held by the pledging financial institution's trust department or agent in the District's name. Category 3 represents deposits uncollateralized including any securities held for the entity but not in the District's name. At December 31, 2003, the cash in bank totaled \$177,575 with the carrying amount of \$177,698 and is classified into Category 1.

Cash equivalents held at December 31, 2003, consist of \$61,266 Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool (see Summary of Significant Accounting Policies).

In accordance with GASB Codification Section I50.165 the investment in LAMP at December 31, 2003, is not categorized in the three risk categories provided by GASB Codification Section I50.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPA's. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets.

The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is

NOTES TO FINANCIAL STATEMENTS

restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The carrying value of LAMP at December 31, 2003 approximates its fair value.

3. Compensation for Board of Commissioners

The Board of Commissioners received no compensation for the year ended December 31, 2003.

4. Cooperative Endeavor Agreement

The Southwest Louisiana Convention and Visitors Bureau (Bureau) has entered into agreements with the Louisiana Department of Transportation and Development (DOTD). The DOTD, with the assistance of the Federal Highway Administration (FHWA) has implemented a Louisiana Scenic Byways Program to improve the Creole Nature Trail. The costs of the projects are a joint participation between the FHWA and the Bureau, with the Bureau contributing the 20% match of the participating cost and the FHWA contributing, through the DOTD, the remaining 80% at the time of authorization.

On December 16, 1999, the Creole Nature Trail Scenic Byway District (District) entered into a cooperative endeavor agreement with the Southwest Louisiana Conventions and Visitors Bureau related to the DOTD agreements. The agreement continues in effect. The District bound itself to the DOTD Agreements to the same extent as if it had been a party thereto and to undertake the projects described in the Agreements. The grants for the projects described in the Agreements were applied for by the Bureau on behalf of the District. The Bureau submits claims to the DOTD for reimbursement of 80% of the project costs and upon receipt of the funds, remits to the District a like amount. The District administers the grant funds, including the local matching funds and reports all disbursements to the Bureau quarterly.

5. Budgetary - GAAP Reconciliation

The accompanying statement of revenues, expenditures and changes in fund balance - budget and actual presents comparisons of the legally adopted budget more fully described in Note 1 with actual data on a budgetary basis. This statement also includes a reconciliation of resultant basis, timing, perspective and entity differences in excess of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended December 31, 2003.

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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
Creole Nature Trail Scenic
Byway District
Lake Charles, Louisiana

We have audited the general purpose financial statements of the Creole Nature Trail Scenic Byway District as of and for the year ended December 31, 2003, and have issued our report thereon dated April 22, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Creole Nature Trail Scenic Byway 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 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 Creole Nature Trail Scenic Byway 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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 District's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described below:

1. The Southwest Louisiana Convention and Visitor's Bureau provides an employee to perform the accounting function for the District. Because this individual is responsible for performing all of the duties of the accounting function, there is inadequate segregation of duties to achieve effective internal control.

Management's response:

Management of the District has considered this weakness and determined that it would not be cost effective to employ sufficient personnel to obtain adequate segregation of duties. Management has attempted to mitigate this weakness by its supervision and review procedures.

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 consider the reportable condition described above to be a material weakness.

Other Information and Recommendations

We have also noted other matters involving internal control and its operations that are reported in Appendix A to this report.

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

Mc Elroy, Quish + Burch

Lake Charles, Louisiana

April 22, 2004

CREOLE NATURE TRAIL SCENIC
BYWAY DISTRICT

OTHER INFORMATION AND RECOMMENDATIONS

Year Ended December 31, 2003

1. Old Outstanding Bank Reconciliation Items

At the time of our audit, there was a deposit and a check that had been outstanding for extended periods of time. Tracking outstanding deposits as well as outstanding checks is an important control procedure that ensures that all incoming and outgoing funds are accounted for.

Recommendation: The outstanding items list should be reviewed periodically. Any outstanding deposit over one week or check over three months old be researched and resolved.

Response: The Secretary/Treasurer is currently in the process of reviewing these items. The District will comply with the reporting requirements of the unclaimed property law.