

***SPECIAL EDUCATION DISTRICT #1
OF THE PARISH OF LAFOURCHE***

Annual Financial Report

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 9-29-04



STAGNI & COMPANY, LLC

**SPECIAL EDUCATION DISTRICT #1
OF THE PARISH OF LAFOURCHE**

Annual Financial Report

June 30, 2004

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OF THE PARISH OF LAFOURCHE**
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June 30, 2004*

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**SPECIAL EDUCATION DISTRICT # 1
OF THE PARISH OF LAFOURCHE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004**

Our discussion and analysis of the Special Education District #1 of the Parish of Lafourche's financial performance provides an overview of financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the basic financial statements and the accompanying notes to the financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The *Government-Wide Financial Statements* (GWFS) – The Statement of Net Assets and the Statement of Activities provide information about the financial activities as a whole and present a longer-term view of finances. *Fund Financial Statements* (FFS) – The Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report operations in more detail than the government-wide statements by providing information about the most significant funds.

Our auditor has provided assurance in the *INDEPENDENT AUDITOR'S REPORT*, located immediately following this MD&A, that the Basic Financial Statements are fairly stated. The auditor, regarding the Required Supplemental Information is providing varying degrees of assurance. A user of this report should read the *INDEPENDENT AUDITOR'S REPORT* carefully to ascertain the level of assurance being provided for each of the other parts in the Financial Section.

Government-Wide Financial Statements

One of the most important questions asked about finances is, "Is the Special Education District #1 of the Parish of Lafourche as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Special Education District #1 of the Parish of Lafourche as a whole and about its activities in a way that helps answer this question. 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.

These two statements report net assets and changes in them. You can think of net assets—the difference between assets and liabilities—as one way to measure financial health, or financial position. Over time, increases or decreases in net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, to assess the overall health of the Special Education District #1 of the Parish of Lafourche.

**SPECIAL EDUCATION DISTRICT # 1
OF THE PARISH OF LAFOURCHE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004**

Fund Financial Statements

The Fund Financial Statements provide detailed information about the most significant funds—not the Special Education District #1 of the Parish of Lafourche as a whole. Some funds are required to be established by State laws or bond covenants.

The Special Education District #1 of the Parish of Lafourche uses only the governmental type of fund with the following accounting approach. Most of the 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 general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliations following the fund financial statements.

FINANCIAL HIGHLIGHTS

Our basic financial statements provide these insights into the results of this year's operations:

- Net assets of our governmental activities increased by \$673,755 or approximately 13 percent as a result of this year's operations.
- Total expenses for program activities were \$1,014,322 for the year, which was \$567,885 more than the \$466,437 generated from charges for services and the grants and contributions received for these activities. The remainder of these expenses was covered by general revenues from property taxes collected and investment earnings of \$1,241,640 that resulted in a net increase in assets of \$673,755.
- The cost of all of the programs increased by \$112,003, or approximately 12 percent. The charges for services and the grants and contributions received for these activities increased by \$38,588 or 9.5 percent, with no new programs added this year.
- The governmental funds reported a total ending fund balance of \$4,517,069. Fund balance for governmental activities increased by \$689,470 from the prior year ending fund balance of \$3,827,599.

**SPECIAL EDUCATION DISTRICT # 1
OF THE PARISH OF LAFOURCHE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004**

**FINANCIAL ANALYSIS OF THE SPECIAL EDUCATION DISTRICT #1 AS A WHOLE
(GWFS)**

The Statement of Net Assets and the Statement of Activities reports on only one type of activity - governmental activities. Most of the basic instructional and support services are reported as this type. General ad valorem taxes, operating grants and contributions, and fees charged to community homes finance most of these activities.

Our analysis below focuses on the net assets of the governmental-type activities:

Condensed Statement of Net Assets				
	2004	2003	Dollar Change	Total Percent Change
Current and Other Assets	\$ 4,556,968	\$ 3,873,313	\$ 683,655	17.7%
Capital Assets	1,390,478	1,395,560	(5,082)	-0.4%
Total Assets	5,947,446	5,268,873	678,573	12.9%
Current Liabilities	39,899	45,714	(5,815)	-12.7%
Long Term Liabilities	63,603	52,970	10,633	20.1%
Total Liabilities	103,502	98,684	4,818	4.9%
Invested in Capital Assets	1,390,478	1,395,560	(5,082)	-0.4%
Restricted	412,541	407,093	5,448	1.3%
Unrestricted	4,040,925	3,367,536	673,389	20.0%
Total Net Assets	\$ 5,843,944	\$ 5,170,189	\$ 673,755	13.0%

Net assets increased by \$673,755 as a result of this years operations. The overall financial position increased significantly during the year. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – retained most of the increase. The balance in net assets represents the accumulated results of all past years' operations.

**SPECIAL EDUCATION DISTRICT # 1
OF THE PARISH OF LAFOURCHE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004**

Condensed Statement of Activities

	2004	2003	Dollar Change	Total Percent Change
Charges for Services	\$ 131,363	\$ 119,140	12,223	10.3%
Operating Grants and Contributions	315,074	288,709	26,365	9.1%
Program Expenses:				
Current	918,591	818,725	99,866	12.2%
Depreciation - unallocated	95,731	83,594	12,137	14.5%
Total program expenses	<u>1,014,322</u>	<u>902,319</u>	<u>112,003</u>	<u>12.4%</u>
Net program income	<u>(567,885)</u>	<u>(494,470)</u>	<u>73,415</u>	<u>14.8%</u>
General revenues	<u>1,241,640</u>	<u>777,279</u>	<u>464,361</u>	<u>59.7%</u>
Change in Net Assets	<u>673,755</u>	<u>282,809</u>	<u>390,946</u>	<u>74.6%</u>
Net Assets:				
Beginning of the year	<u>5,170,189</u>	<u>4,887,380</u>	<u>282,809</u>	<u>5.8%</u>
End of the year	<u>\$ 5,843,944</u>	<u>\$ 5,170,189</u>	<u>\$ 673,755</u>	<u>13.0%</u>

Revenues received for the year were \$1,688,077 (\$131,363 in charges for services, \$315,074 in operating and grant contributions and \$1,241,640 in general revenues). This reflected an increase of \$502,949 or approximately 42 percent from the prior year. The total cost of all instructional and support services was \$1,014,322, up from the prior year by approximately 12 percent; no new programs were added this year.

FINANCIAL ANALYSIS OF FUNDS (FUND FINANCIAL STATEMENTS)

Governmental funds reported a combined fund balance of \$4,517,069. This reflected an increase of \$689,470. This increase is primarily the result of the events and programs described within the analysis of its governmental activities.

**SPECIAL EDUCATION DISTRICT # 1
OF THE PARISH OF LAFOURCHE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004**

Condensed Balance Sheet

	2004	2003	Dollar Change	Total Percent Change
Total Current Assets	\$ 4,556,968	\$ 3,873,313	\$ 683,655	17.7%
Total Current Liabilities	39,899	45,714	(5,815)	-12.7%
Fund Equity:				
Reserved	412,541	407,093	5,448	1.3%
Unreserved	4,104,528	3,420,506	684,022	20.0%
Total fund equity	<u>4,517,069</u>	<u>3,827,599</u>	<u>689,470</u>	<u>18.0%</u>
Total Liabilities and Equity	\$ 4,556,968	\$ 3,873,313	\$ 683,655	17.7%

Condensed Statement of Revenues, Expenditures
and Changes in Fund Balances

	2004	2003	Dollar Change	Total Percent Change
Total Revenues	\$ 1,688,077	\$ 1,185,128	502,949	42.4%
Expenditures:				
Current	907,105	817,436	89,669	11.0%
Capital Outlay	91,502	140,755	(49,253)	-35.0%
Total Expenditures	<u>998,607</u>	<u>958,191</u>	<u>40,416</u>	<u>4.2%</u>
Excess (Deficiency)	689,470	226,937	462,533	203.8%
Fund Balance:				
Beginning of the year	3,827,599	3,600,662	226,937	6.3%
End of the year	<u>\$ 4,517,069</u>	<u>\$ 3,827,599</u>	<u>\$ 689,470</u>	<u>18.0%</u>

The increase in revenues was due primarily to an increase of approximately \$475,000 in ad valorem taxes received and recorded. The increase was due to the district collecting the total allowable millage for the current year in taxes.

**SPECIAL EDUCATION DISTRICT # 1
OF THE PARISH OF LAFOURCHE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004**

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget for the General Fund was revised to reflect a net increase of \$176,538 in ending fund balance. Supplemental appropriations or authorized budget amendments were necessary and approved as follows:

Increase (Decrease) due to:	Budgeted Amounts		Increase (Decrease)
	Original	Final	
REVENUES:			
Property tax millage increased.	\$ 1,089,921	\$ 1,147,589	\$ 57,668
Actual State Revenue Sharing increased.	48,378	48,608	230
Actual donations increased.	1,000	1,200	200
Decline in interest rates.	50,000	39,650	(10,350)
Adult Services - increase in qualifying clients.	384,000	425,912	41,912
Actual School Lunch Program revenue increased.	17,000	19,000	2,000
Bayou Council on Alcoholism	2,400	2,400	0
Actual Income from Sales of Asset increased.	-	2,844	2,844
Total Revenues	1,592,699	1,687,203	94,504
EXPENDITURES:			
District and School Administration:	326,603	293,872	(32,731)
Salaries & benefits decreased.			(14,634)
Building Maintenance decreased.			(15,700)
Adult Instruction due to shift in line items.	373,476	377,499	4,023
School Lunch Services due to shift in line items.	96,737	94,525	(2,212)
Transportation Services mainly decrease in Insurance.	43,581	37,969	(5,612)
Physical Plant due mainly to decrease in Insurance.	132,356	105,915	(26,441)
Total Current	972,753	909,780	(62,973)
Capital Outlay due to reallocating project costs.	110,945	91,884	(19,061)
Total Expenditures	1,083,698	1,001,664	(82,034)
FUND BALANCE:			
Beginning	3,816,245	3,816,245	-
Ending	\$ 4,325,246	\$ 4,501,784	\$ 176,538

**SPECIAL EDUCATION DISTRICT # 1
OF THE PARISH OF LAFOURCHE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004**

CAPITAL ASSETS

The investment in capital assets, net of accumulated depreciation, for governmental activities as of June 30, 2004 and 2003 was \$1,390,478 and \$1,395,560, respectively.

	2004	2003
Land	\$ 93,612	\$ 93,612
Construction in Progress	-	133,862
Buildings and Improvements	2,754,732	2,569,539
Furniture and Equipment	251,084	287,989
Buses and Vans	137,525	116,908
Total Cost	3,236,953	3,201,910
Accumulated Depreciation	1,846,475	1,806,350
Net Capital Assets	<u>\$ 1,390,478</u>	<u>\$ 1,395,560</u>
Depreciation Expense	<u>\$ 95,731</u>	<u>\$ 83,594</u>

This year there was \$225,363 of additions and \$56,458 of disposals, reflecting the net increase in capital assets. More detailed information about the capital assets is presented in Note 6 to the basic financial statements.

LONG-TERM DEBT

The Special Education District #1 of the Parish of Lafourche has long-term debt that consists only of the long-term portion of compensated absences in the amount of \$63,603. More detailed information about the long-term debt is presented in Note 7 to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Certain significant aspects of the budget are detailed below:

Beginning Fund Balance	\$ 4,501,735
Projected Revenue	790,150
Projected Expenditures	<u>(1,175,665)</u>
Ending Fund Balance	<u>\$ 4,116,220</u>

***SPECIAL EDUCATION DISTRICT # 1
OF THE PARISH OF LAFOURCHE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004***

The Maintenance and Operation Fund includes a decrease in ad valorem tax collections from 4.77 mills to 1 mill. Included in the 2004-2005 budget is a 10.9% average increase in health insurance. No increases are included for staff salaries as the District is currently undergoing a salary study at this time. The employer contribution rate for Teachers' Retirement System of Louisiana will increase from 13.8% to 17.3% and for the School Employees' Retirement System will increase from 8.5% to 18.8% as determined by the Louisiana Public Retirement Systems' Actuarial Committee.

Included in the budget is \$100,000 for the purchase of 2-15 passenger vehicles designed for the special needs of our clientele. Also included is \$32,000 for possible capital outlay purchases.

Both staff and client lunch payments will remain at \$1 per meal. All other meal payments will remain at \$2 per meal during this budget period.

CONTACTING FINANCIAL MANAGEMENT

This annual report is designed to provide our citizens, taxpayers, and customers with a general overview of the Special Education District #1 of the Parish of Lafourche's finances and to demonstrate its accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Debra Guidry, Accountant,
P.O. Box 405,
Cut Off, Louisiana 70345
985-632-5671.

FINANCIAL SECTION



STAGNI & COMPANY, LLC

To the Board of Commissioners
Special Education District #1 of the Parish of Lafourche
Cut Off, Louisiana

We have audited the accompanying financial statements of the governmental activities and each major fund of the Special Education District #1 of the Parish of Lafourche as of and for the year ended June 30, 2004, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Special Education District #1 of the Parish of Lafourche's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 respective financial position of the governmental activities and each major fund of the Special Education District #1 of the Parish of Lafourche as of June 30, 2004, and the respective changes in 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 July 20, 2004, on our consideration of Special Education District #1 of the Parish of Lafourche'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 in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

To the Board of Commissioners
Special Education District #1 of the Parish of Lafourche
Cut Off, Louisiana
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The Management's Discussion and Analysis and the Required Supplemental Information as listed in the table of contents 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.

Stagni & Company

Thibodaux, Louisiana
July 20, 2004



**SPECIAL EDUCATION DISTRICT # 1
OF THE PARISH OF LAFOURCHE**

Statement of Net Assets

June 30, 2004

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash	\$ 2,368,459
Investments	2,143,555
Receivables:	
Accounts (net of uncollectible)	13,905
Other governments	21,363
Inventory (at cost)	2,388
Deposits on Van	7,298
Capital assets, net of depreciation	<u>1,390,478</u>
TOTAL ASSETS	<u>5,947,446</u>
LIABILITIES	
Accounts, salaries, and other payables	4,719
Compensated absences payable - current	35,180
TOTAL CURRENT LIABILITIES	<u>39,899</u>
Compensated absences payable - long term	63,603
TOTAL LIABILITIES	<u>103,502</u>
NET ASSETS	
Investment in capital assets	1,390,478
Restricted for:	
Capital projects	392,037
Debt service	14,489
Client activities	6,015
Unrestricted	<u>4,040,925</u>
TOTAL NET ASSETS	<u>\$ 5,843,944</u>

See notes to financial statements.

**SPECIAL EDUCATION DISTRICT #1
OF THE PARISH OF LAFOURCHE**

Statement of Activities

For the Year Ended June 30, 2004

	<u>Program Revenues:</u>		Net
	Expenses	Charges for Services	Operating Grants and Contributions
			Revenue (Expenses)
Governmental Activities			
Adult Instruction	\$ 391,987	\$ 109,435	\$ 32,522
General and Administrative	290,273	2,400	(287,873)
Plant Maintenance and Operations	104,925		(104,925)
School Lunch Services	93,368	19,528	(73,840)
Transportation Services	37,185		(37,185)
Loss on disposal of fixed assets	853		(853)
Depreciation - unallocated	95,731		(95,731)
Total Governmental Activities	<u>\$ 1,014,322</u>	<u>\$ 131,363</u>	<u>\$ 315,074</u>

General Revenues:	
Ad Valorem Taxes	1,149,298
State Revenue Sharing	48,608
Grants not restricted to specific programs	1,200
Interest Income	39,690
Gain on sale of fixed assets	2,844
Total General Revenues	<u>1,241,640</u>
Change in Net Assets	673,755
Net Assets:	
Beginning	5,170,189
Ending	<u>\$ 5,843,944</u>

See notes to financial statements.

**SPECIAL EDUCATION DISTRICT #1
OF THE PARISH OF LAFOURCHE**

Balance Sheet - Governmental Funds

June 30, 2004

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>
ASSETS			
Cash	\$ 2,353,970	\$ 14,489	\$ 2,368,459
Investments	2,143,555		2,143,555
Receivables:			
Accounts	13,905		13,905
Other governments	21,363		21,363
Inventory (at cost)	2,388		2,388
Deposits on Van	7,298		7,298
TOTAL ASSETS	<u><u>\$ 4,542,479</u></u>	<u><u>\$ 14,489</u></u>	<u><u>\$ 4,556,968</u></u>
LIABILITIES			
Accounts payable	\$ 4,719		\$ 4,719
Compensated absences payable	35,180		35,180
TOTAL LIABILITIES	<u><u>39,899</u></u>		<u><u>39,899</u></u>
FUND EQUITY			
Fund Balances:			
Reserved for debt service		\$ 14,489	14,489
Reserved for client activities	6,015		6,015
Reserved for capital improvements	392,037		392,037
Unreserved - Undesignated	4,104,528		4,104,528
TOTAL FUND EQUITY	<u><u>4,502,580</u></u>	<u><u>14,489</u></u>	<u><u>4,517,069</u></u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 4,542,479</u></u>	<u><u>\$ 14,489</u></u>	<u><u>\$ 4,556,968</u></u>

See notes to financial statements.

**SPECIAL EDUCATION DISTRICT #1
OF THE PARISH OF LAFOURCHE**
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2004

Total fund balances - governmental funds **\$ 4,517,069**

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$	93,612	
Building and improvements		2,754,732	
Furniture and equipment		251,084	
Buses and vans		137,525	
Accumulated depreciation		<u>(1,846,475)</u>	
			1,390,478

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Compensated absences		<u>(63,603)</u>	
			<u>(63,603)</u>

Net assets of governmental activities **\$ 5,843,944**

See notes to financial statements.

**SPECIAL EDUCATION DISTRICT #1
OF THE PARISH OF LAFOURCHE**
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>
REVENUES			
Ad Valorem Taxes	\$ 1,147,589	\$ 1,709	\$ 1,149,298
State Revenue Sharing	48,608		48,608
Donations	1,200		1,200
Interest Income	39,617	73	39,690
Adult Services	424,509		424,509
School Lunch Program	19,528		19,528
Bayou Council on Alcoholism	2,400		2,400
Income from Sale of Asset	2,844		2,844
Total Revenues	<u>1,686,295</u>	<u>1,782</u>	<u>1,688,077</u>
EXPENDITURES			
Current:			
Adult Instruction	391,987		391,987
General and Administrative	279,640		279,640
Plant Maintenance and Operations	104,925		104,925
School Lunch Services	93,368		93,368
Transportation Services	37,185		37,185
Total Current	<u>907,105</u>		<u>907,105</u>
Capital Outlay	91,502		91,502
Total Expenditures	<u>998,607</u>		<u>998,607</u>
NET CHANGE IN FUND BALANCE	687,688	1,782	689,470
FUND BALANCE			
Beginning of year	3,814,892	12,707	3,827,599
End of year	<u>\$ 4,502,580</u>	<u>\$ 14,489</u>	<u>\$ 4,517,069</u>

See notes to financial statements.

**SPECIAL EDUCATION DISTRICT # 1
OF THE PARISH OF LAFOURCHE**

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 - governmental funds	\$ 689,470
 Amounts reported for <i>governmental activities</i> in the statement of activities (government-wide financial statements) are different because:	
Governmental funds report capital outlays as expenditures in the individual fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:	
Capital outlay	\$ 91,502
Depreciation expense	(95,731)
Loss on disposal/sale of assets	<u>(853)</u>
Deficiency of capital outlay over depreciation expense	(5,082)
 Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:	
Increase in long-term compensated absences	<u>(10,633)</u>
 Change in net assets of governmental activities	 <u>\$ 673,755</u>

See notes to financial statements.

**SPECIAL EDUCATION DISTRICT #1
OF THE PARISH OF LAFOURCHE**

Notes to the Financial Statements

June 30, 2004

Special Education District #1 of the Parish of Lafourche (The Center) was formed by the Louisiana Legislature in 1976 as a political subdivision of the State of Louisiana to purchase, contract, acquire, manage and administer an education and training institution for mentally retarded, handicapped, and other health impaired children and adults. The Center has the power to levy property taxes, incur debt, and perform all other lawful acts necessary to accomplish the above. The Center is governed by a Board of Commissioners; three appointed by the Lafourche Parish Council, and four appointed by the Lafourche Parish School Board.

Note 1 *Summary of Significant Accounting Policies*

The accounting and reporting policies of The Center conform to generally accepted accounting principles as applicable to governments. The following is a summary of certain significant accounting policies:

A. *Reporting Entity*

GASBS No. 14 "The Financial Reporting Entity," sets forth the standards for defining and presenting the reporting entity in financial statements. To fairly present the financial position and results of operations of the financial reporting entity, a government must determine whether its reporting entity consists of only the legal entity known as the "primary government" or one or more organizations called "component units."

According to GASBS No. 14, The Center is considered a primary government defined as any state government or general purpose local government or a special purpose government that meets all of the following criteria:

- 1) It has a separately elected governing body.
- 2) It is legally separate.
- 3) It is fiscally independent of other state and local governments.

B. *Government-Wide and Fund Financial Statements*

On July 1, 2001, The Center adopted the provisions of Statement No. 34 of the Governmental Accounting Standards Board – "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.*" Statement No. 34 established standards for external financial reporting for all state and local governmental entities that includes government-wide financial statements and fund financial statements.

**SPECIAL EDUCATION DISTRICT #1
OF THE PARISH OF LAFOURCHE**

Notes to the Financial Statements

June 30, 2004

Note 1 *Summary of Significant Accounting Policies (Continued)*

B. *Government-Wide and Fund Financial Statements (continued)*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. All individual governmental funds are reported as separate columns in the fund financial statements.

C. *Measurement Focus, Basis of Accounting/Financial Statement Presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**SPECIAL EDUCATION DISTRICT #1
OF THE PARISH OF LAFOURCHE**
Notes to the Financial Statements
June 30, 2004

Note 1 Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting/Financial Statement Presentation (Continued)

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

The Center utilizes the following governmental funds:

General Fund:

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

Debt Service Fund:

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the governments enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include

- 1) charges to customers or applicants for goods, services, or privileges provided,
- 2) operating grants and contributions, and
- 3) capital grants and contributions, including special assessments.

Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. When both restricted and unrestricted resources are available for use, it is the entity's policy to use restricted resources first, then unrestricted resources as they are needed.

**SPECIAL EDUCATION DISTRICT #1
OF THE PARISH OF LAFOURCHE**

Notes to the Financial Statements
June 30, 2004

Note 1 Summary of Significant Accounting Policies (Continued)

D. Deposits and Investments

The Center's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Center's investment policy allow the entity to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

The state investment pool (LAMP) operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

E. Ad Valorem Taxes

Ad Valorem taxes of Lafourche Parish are levied around November 1 and are due and payable on that date. Ad Valorem taxes become delinquent on January 1 of the next year. Ad Valorem taxes are assessed by the Lafourche Parish Tax Assessor and are collected by the Lafourche Parish Sheriff and remitted monthly by the Sheriff to The Center. Tax revenues are recognized when they become available. Available includes those taxes receivable expected to be collected. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided.

The following is a summary of authorized and levied ad valorem taxes:

	Millage		Expiration Date
	Authorized	Levied	
Taxes due for:			
Operation & Maintenance	4.77	4.77	2006
Debt Service	4.77	-	2006

The following is the principal taxpayer and related assessed value and property tax revenue received for the District for the current year:

Taxpayer	Assessed Value	Tax Revenue
Chouest, Edison, Offshore, LLC	\$29,017,230	\$138,412

**SPECIAL EDUCATION DISTRICT #1
OF THE PARISH OF LAFOURCHE**
Notes to the Financial Statements
June 30, 2004

Note 1 Summary of Significant Accounting Policies (Continued)

F. Inventory

Inventory of food in the general fund is valued at cost (first-in, first-out). Inventories of the governmental funds are recorded as expenditures when consumed rather than when purchased.

G. Capital assets

Capital assets, which include property, plant, equipment, are reported in the applicable governmental funds in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost (the extent to which fixed asset costs have been estimated). Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Center uses a threshold level of \$500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and building improvements	7 - 40 years
Furniture, fixtures, and equipment	5 - 15 years
Vehicles	8 years

H. Compensated Absences

The Center compensates substantially all full time employees for unused vacation up to twelve days. Unused vacation is paid upon termination or retirement.

Sick leave accumulates at the rate of ten days for 185-Day Personnel and twelve days for 240-Day Personnel. Sick leave is not paid upon termination or retirement.

Compensation time is granted for approved extra hours of work in accordance with the Fair Labor Standards Act. Compensation time is paid upon termination or retirement.

**SPECIAL EDUCATION DISTRICT #1
OF THE PARISH OF LAFOURCHE**

Notes to the Financial Statements
June 30, 2004

Note 1 Summary of Significant Accounting Policies (Continued)

I. Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Reserved Fund Balances and Restricted Net Assets

The portion of unexpended funds dedicated for debt service is recorded as reserve for debt service and is restricted for debt service on the Statement of Net Assets. The portion of unexpended funds that have been recorded as restricted donations for client activities are recorded as reserve for client activities in the General Fund and restricted on the Statement of Net Assets. The portion of unexpended funds dedicated for future capital improvements are recorded as reserve for capital improvements in the General Fund and restricted on the Statement of Net Assets.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require 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, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

**SPECIAL EDUCATION DISTRICT #1
OF THE PARISH OF LAFOURCHE**

Notes to the Financial Statements

June 30, 2004

Note 2 *Stewardship, Compliance, and Accountability*

The Center uses the following budget practices:

- The Finance Committee of the Board of Commissioners prepares a balanced operating budget each year, which is then ratified by the full Board after an appropriate public hearing. The budget contains an appropriation resolution that authorizes the expenditures of funds up to the budgeted amount of the year.
- The budget may be amended during the year as conditions dictate so long as it remains in balance. One-half of the prior year's appropriation automatically renews each year without any formal Board approval.
- During the current year a budget was not adopted for the debt service fund. The bonds were paid out in the previous fiscal year; therefore, the bond covenant legally requiring a budget to be adopted for the debt service funds was no longer in force.

Note 3 *Ad Valorem Taxes*

For the year ended June 30, 2004, taxes of 4.77 mills were levied on property valued as of January 1, 2000 located in Ward 10 of the Parish of Lafourche. The assessor for the Parish is responsible for preparing the property tax rolls and collecting the millage on all property dedicated. Taxes levied were \$1,151,183 of which 99% were collected through June 30, 2004.

Note 4 *Deposits and Investments*

Deposits:

The Center's policies regarding deposits of cash are discussed in Note 1. The table presented below is designed to disclose the level of custody credit risk assumed based upon how its deposits were insured or secured with collateral at June 30, 2004. The categories of credit risk are defined as follows:

- Category 1—Insured by FDIC or collateralized with securities held by the Center (or public trust) or by its agent in its name
- Category 2—Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Center's name
- Category 3—Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Center's name; or collateralized with no written or approved collateral agreement

**SPECIAL EDUCATION DISTRICT #1
OF THE PARISH OF LAFOURCHE**

Notes to the Financial Statements
June 30, 2004

Note 4 Deposits and Investments (Continued)

At June 30, 2004, the Center has cash and cash equivalents (book balances) as follows:

Type of Deposits	Total Bank Balance	Custody Credit Risk Category			Total Carrying Value
		1	2	3	
Demand deposits	\$ 53,510	\$ 53,510	\$ -	\$ -	\$ 12,946
Time deposits	2,368,808	200,000	2,168,808		2,355,263
Petty cash	250				250
Total Deposits	\$2,422,568	\$253,510	\$2,168,808	\$ -	\$ 2,368,459

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the entity that the fiscal agent has failed to pay deposited funds upon demand.

Investments:

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the entity or its agent in the entity's name
2. Uninsured and unregistered, with securities held by the counter party's trust department or agent in the entity's name
3. Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent but not in the entity's name

**SPECIAL EDUCATION DISTRICT #1
OF THE PARISH OF LAFOURCHE**
Notes to the Financial Statements
June 30, 2004

Note 4 Deposits and Investments (Continued)

All of the Center's investments (\$2,143,555) are in the Louisiana Asset Management Pool (LAMP), a state and local government investment pool. LAMP is administered by LAMP, Inc., which is a nonprofit corporation organized under the laws of the State of Louisiana formed by an initiative of the State Treasurer in 1993. A board of directors consisting of the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPA's governs the corporation. These approved investments are carried at cost, which approximate market and may be liquidated as needed.

This investment pool has not been assigned a risk category since the Center is not issued securities, but rather owns an undivided beneficial interest in the assets of this pool.

Note 5 Receivables From Other Governments

Receivables from other governments consist of the following:

DUE FROM	GENERAL FUND
Office for Citizens with Developmental Disabilities (OCDD)	\$ 12,032
Medicaid Waiver Income	<u> 9,061</u>
TOTAL	<u>\$ 21,093</u>

**SPECIAL EDUCATION DISTRICT #1
OF THE PARISH OF LAFOURCHE**

Notes to the Financial Statements
June 30, 2004

Note 6 Capital Assets

Capital assets and depreciation activity is as follows:

GOVERNMENTAL ACTIVITIES	BEGINNING			ENDING
	BALANCE	ADDITIONS	DELETIONS	BALANCE
Land	\$ 93,612	\$ -	\$ -	\$ 93,612
Construction in Progress	133,862	55,797	(189,659)	-
Buildings and Improvements	2,569,539	189,659	(4,466)	2,754,732
Furniture and Equipment	287,989	15,087	(51,992)	251,084
Buses and Vans	116,908	20,617		137,525
Total Cost of Capital Assets	3,201,910	281,160	(248,117)	3,238,953
Less Accumulated Depreciation:				
Buildings and Improvements	1,466,638	75,841	(4,466)	1,538,013
Furniture and Equipment	247,272	8,653	(51,141)	204,784
Buses and Vans	92,441	11,237		103,678
Total Accumulated Depreciation	1,806,351	95,731	(55,607)	1,846,475
Total Net Capital Assets	\$ 1,395,559			\$1,390,478

Depreciation expense of \$95,731 was charged to the governmental functions.

Note 7 Long-Term Obligations

Changes in long-term obligations are summarized below:

	BALANCE JUNE 30, 2003	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2004
Compensated absences	\$52,970	\$10,633	-	\$63,603

**SPECIAL EDUCATION DISTRICT #1
OF THE PARISH OF LAFOURCHE**

Notes to the Financial Statements

June 30, 2004

Note 8 Pension Plan

Substantially all employees of the Center are members of one of two cost sharing, multi-employer retirement systems. In general, professional employees, such as teachers and principals, are members of the Teachers' Retirement System of Louisiana (TRS); and other employees, such as custodial personnel and bus drivers, are members of the Louisiana School Employees' Retirement System (LSERS). Pertinent information relative to each plan follows:

TEACHER'S RETIREMENT SYSTEM OF LOUISIANA (TRS)

Plan Description. The TRS consists of three membership plans: Regular Plan, Plan A and Plan B. The Center participates in TRS Regular which requires mandatory enrollment for all employees that meet the legal definition of "teacher" in accordance with LRS 17:751(23)(a).

The Teachers' Retirement System of Louisiana provides retirement, disability and survivor benefits. Service retirements vest after 10 years of credited service, disabilities after 5 years, but member must be in active service at the time of filing the application for disability retirement. Benefits are established and amended by state statute. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for the TRS. That report may be obtained by writing to Teachers' Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446.

Funding Policy. Plan members are required to contribute 8.0 percent of their annual covered salary for the Regular Plan. The Center is required to contribute at an actuarially determined rate. The current rate is 13.8 percent of annual covered payroll for the membership plan. State law establishes member contributions and the Public Retirement Systems' Actuarial Committee establishes employer contributions for the TRS and rates.

Employer contribution to the TRS, as provided by state law, is funded by deductions from local ad valorem taxes and by remittances by the Center. The Center's contributions to the TRS for the years ending June 30, 2004, 2003, and 2002 were \$59,857, \$53,339, and \$50,317, respectively, which were equal to the required contributions for each year.

LOUISIANA SCHOOL EMPLOYEES RETIREMENT SYSTEM (LSERS)

Plan Description. The LSERS provides retirement benefits as well as disability and survivor benefits. Ten years of service credit is required to become vested for retirement benefits and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute. The LSERS issues a publicly available financial report that includes financial statements and required supplementary information for the LSERS. That report may be obtained by writing to the Louisiana School Employees' Retirement System, Post Office Box 44516, Baton Rouge, Louisiana 70804 or by calling (225) 925-6484.

**SPECIAL EDUCATION DISTRICT #1
OF THE PARISH OF LAFOURCHE**

Notes to the Financial Statements
June 30, 2004

Note 8 Pension Plan (Continued)

Funding Policy. Plan members are required to contribute 7.5 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current rate is 8.5 percent of annual covered payroll. State law establishes member contributions and the Public Retirement Systems' Actuarial Committee establishes employer contributions for the LSERS and rates. The Center's employee contribution for the LSERS is funded by remittances from the Center.

The Center's contributions to the LSERS for the years ending June 30, 2004, 2003, and 2002 were \$3,488, \$0, and \$0, respectively which were equal to the required contributions for each year.

Note 9 Commitments and Contingencies

Intergovernmental awards received by The Center are subject to audit and adjustment by the funding agency or its representative. If grant revenues are received for expenditures that are subsequently disallowed, The Center may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements.

Note 10 Risk Management

LIABILITY INSURANCE:

The Center is exposed to various risks of loss related to tort, theft of, damage to, and destruction of assets; injury to employees; and natural disasters. The Center purchased commercial insurance policies for any and all claims relating to the above types of risks and is only liable for the payment of the deductible associated with the above types of risks.

HEALTH INSURANCE

The Center provides health and life insurance to employees. However, the Center pays 75% of the employee's cost of medical and life insurance premiums and 55% of the dependent coverage. The remainder is paid through withholding allowances on the employees paycheck. The Center has no further liabilities on any health or life insurance claims except for paying their portion of the premiums.

Settlements have not exceeded insurance coverage in any of the three preceding years.

***REQUIRED SUPPLEMENTAL
INFORMATION***

**SPECIAL EDUCATION DISTRICT #1
OF THE PARISH OF LAFOURCHE**
Budget Comparison Schedule - General Fund
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance - Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Ad Valorem Taxes	\$ 1,089,921	\$ 1,147,589	\$ 1,147,589	\$ -
State Revenue Sharing	48,378	48,608	48,608	-
Donations	1,000	1,200	1,200	-
Interest Income	50,000	39,650	39,617	(33)
Adult Services	384,000	425,912	424,509	(1,403)
School Lunch Program	17,000	19,000	19,528	528
Bayou Council on Alcoholism	2,400	2,400	2,400	-
Income from Sales of Asset	-	2,844	2,844	-
Total Revenues	<u>1,592,699</u>	<u>1,687,203</u>	<u>1,686,295</u>	<u>(908)</u>
EXPENDITURES:				
Current:				
District and School Administration	326,603	293,872	279,640	14,232
Adult Instruction	373,476	377,499	391,987	(14,488)
School Lunch Services	96,737	94,525	93,368	1,157
Transportation Services	43,581	37,969	37,185	784
Physical Plant	132,356	105,915	104,925	990
Total Current	<u>972,753</u>	<u>909,780</u>	<u>907,105</u>	<u>2,675</u>
Capital Outlay	110,945	91,884	91,502	382
Total Expenditures	<u>1,083,698</u>	<u>1,001,664</u>	<u>998,607</u>	<u>3,057</u>
NET CHANGE IN FUND BALANCE	509,001	685,539	687,688	2,149
FUND BALANCE:				
Beginning of year	3,816,245	3,816,245	3,814,892	(1,353)
End of year	<u>\$ 4,325,246</u>	<u>\$ 4,501,784</u>	<u>\$ 4,502,580</u>	<u>\$796</u>

***SPECIAL EDUCATION DISTRICT # 1
OF THE PARISH OF LAFOURCHE***
Schedule of Per Diem and Compensation of Board of Commissioners
For the Year Ended June 30, 2004

During the year ended June 30, 2004 the Board of Commissioners held thirteen (13) meetings. Board members were not paid per diem or mileage for the year.

***REPORTS REQUIRED BY GOVERNMENT
AUDITING STANDARDS***



STAGNI & COMPANY, LLC

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

To the Board of Commissioners
Special Education District #1 of the Parish of Lafourche
Cut Off, Louisiana

We have audited the financial statements of the governmental activities and each major fund of the Special Education District #1 of the Parish of Lafourche which collectively comprise the basic financial statements, as of and for the year ended June 30, 2004, and have issued our report thereon dated July 20, 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 Special Education District #1 of the Parish of Lafourche'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 Special Education District #1 of the Parish of Lafourche'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 misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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To the Board of Commissioners
Special Education District #1 of the Parish of Lafourche
Page 2 of 2

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Board of Commissioners, and the Legislative Auditor 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.

Stagni & Company

Thibodaux, Louisiana
July 20, 2004



**SPECIAL EDUCATION DISTRICT #1,
OF THE PARISH OF LAFOURCHE**
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

We have audited the financial statements of the governmental activities and each major fund of the Special Education District #1 of the Parish of Lafourche as of and for the year ended June 30, 2004, which collectively comprise the basic financial statements, and have issued our report thereon dated July 20, 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. Our audit of the basic financial statements resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes No Reportable Conditions Yes No

Compliance

Compliance Material to Financial Statements Yes No

b. Federal Awards - Not Applicable

Internal Control

Material Weaknesses Yes No Reportable Conditions Yes No

Type of Opinion On Compliance Unqualified Qualified
For Major Programs Disclaimer Adverse

Are there findings required to be reported in accordance with Circular A-133, Section .510(a)? Yes No

c. Identification of Major Programs - Not Applicable

CFDA Number (s)	Name of Federal Program (or Cluster)
Dollar threshold used to distinguish between Type A and Type B Programs: N/A	
Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133? <input type="checkbox"/> Yes <input type="checkbox"/> No	

Section II - Financial Statement Findings

NOT APPLICABLE

Section III Federal Award Findings and Questioned Costs

NOT APPLICABLE



**SPECIAL EDUCATION DISTRICT #1
OF THE PARISH OF LAFOURCHE**

Status of Prior Audit Findings
For the Year Ended June 30, 2004

<u>Reference Number</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>
-----------------------------	-----------------------------------------------------------	-------------------------------	-------------------------------------------------------------	------------------------------------------------------------------------------

Section I - Internal Control and Compliance Material to the Financial Statements:

NONE

Section II - Internal Control and Compliance Material to Federal Awards:

NOT APPLICABLE

Section III - Management Letter:

NONE

**SPECIAL EDUCATION DISTRICT #1
OF THE PARISH OF LAFOURCHE**

**Corrective Action Plan
For the Year Ended June 30, 2004**

<u>Reference Number</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name(s) of Contact Person(s)</u>	<u>Anticipated Completion Date</u>
-------------------------	-------------------------------	----------------------------------	-------------------------------------	------------------------------------

Section I - Internal Control and Compliance Material to the Financial Statements:

NONE

Section II - Internal Control and Compliance Material to Federal Awards:

NOT APPLICABLE

Section III - Management Letter:

NONE