

GUEYDAN DRAINAGE DISTRICT
OF VERMILION PARISH

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.

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INDEPENDENT AUDITOR'S REPORT

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Vermilion Parish Police Jury
Gueydan, Louisiana

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James H. Breaux, CPA 1987
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Geraldine J. Wimberley, CPA* 1995
Rodney L. Savoy, CPA* 1996
Larry G. Broussard, CPA* 1996
Lawrence A. Cramer, CPA* 1999
Michael P. Crochet, CPA* 1999
Ralph Friend, CPA 2002

We have audited the accompanying general purpose financial statements of Gueydan Drainage District of Vermilion Parish, a component unit of the Vermilion Parish Police Jury, 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 Gueydan Drainage District of Vermilion Parish'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 *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 evaluation the overall 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 respective financial position of Gueydan Drainage District of Vermilion Parish, as of December 31, 2003, and the results of its operations for the year 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 October 1, 2004 on our consideration of Gueydan Drainage District of Vermilion Parish's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. 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.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of compensation paid to board of commissioners are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Gueydan Drainage District of Vermilion Parish. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Broussard, Poché, Lewis, Breaux L.L.P.

Crowley, Louisiana
October 1, 2004

GUEYDAN DRAINAGE DISTRICT OF VERMILION PARISH
VERMILION PARISH POLICE JURY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUP
December 31, 2003

	<u>Governmental Fund Types</u>		<u>Account Group</u>	Total (Memorandum Only)
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>General Fixed Assets</u>	
ASSETS				
Cash and cash equivalents	\$ 38,400	\$ -	\$ -	\$ 38,400
Certificates of deposit	242,178	-	-	242,178
Receivables	295,977	-	-	295,977
Due from other funds	-	55	-	55
Land and equipment	-	-	674,873	674,873
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 576,555	\$ 55	\$ 674,873	\$ 1,251,483
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Due to other funds	\$ 55	\$ -	\$ -	\$ 55
Accrued payroll taxes	12	-	-	12
Ad valorem pension payable	10,629	-	-	10,629
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	\$ 10,696	\$ -	\$ -	\$ 10,696
	<hr/>	<hr/>	<hr/>	<hr/>
FUND EQUITY				
Investment in general fixed assets	\$ -	\$ -	\$ 674,873	\$ 674,873
Fund balances:				
Unreserved - undesignated	565,859	55	-	565,914
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund equity	\$ 565,859	\$ 55	\$ 674,873	\$ 1,240,787
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund equity	\$ 576,555	\$ 55	\$ 674,873	\$ 1,251,483
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See Notes to Financial Statements.

GUEYDAN DRAINAGE DISTRICT OF VERMILION PARISH
VERMILION PARISH POLICE JURY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
Year Ended December 31, 2003

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total (Memorandum Only)</u>
Revenues:			
Taxes:			
Ad valorem tax revenue	\$ 332,041	\$ -	\$ 332,041
Intergovernmental:			
State revenue sharing	5,400	-	5,400
Investment income	4,498	202	4,700
Other	40	-	40
	\$ 341,979	\$ 202	\$ 342,181
Expenditures:			
Current:			
Public works:			
Salaries and related benefits	\$ 65,509	\$ -	\$ 65,509
Compensation paid to board members	2,880	-	2,880
Legal and accounting	2,500	-	2,500
Insurance	16,124	-	16,124
Office rent and supplies	6,196	-	6,196
Repairs and maintenance	54,454	-	54,454
Supplies	30,791	-	30,791
Pension deduction	10,629	-	10,629
Uncollected taxes	7,024	1,003	8,027
Cellular phone	1,251	-	1,251
Other	4,496	20	4,516
Capital outlay	191,373	31,760	223,133
Debt service:			
Principal	-	40,000	40,000
Interest	-	980	980
Other	-	801	801
	\$ 393,227	\$ 74,564	\$ 467,791
Excess (deficiency) of revenues over expenditures	\$ (51,248)	\$ (74,362)	\$ (125,610)
Other financing source:			
Proceeds from disposal of asset	18,000	-	18,000
Excess (deficiency) of revenues and other financing source over expenditures	\$ (33,248)	\$ (74,362)	\$ (107,610)
Fund balances, as previously stated	\$ 604,323	\$ 75,957	\$ 680,280
Prior period adjustments	(5,216)	(1,540)	(6,756)
Fund balances, as restated	\$ 599,107	\$ 74,417	\$ 673,524
Fund balances, ending	\$ 565,859	\$ 55	\$ 565,914

See Notes to Financial Statements.

GUEYDAN DRAINAGE DISTRICT OF VERMILION PARISH
VERMILION PARISH POLICE JURY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL -
ALL GOVERNMENTAL FUND TYPES
Year Ended December 31, 2003

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes:			
Ad valorem tax revenue	\$ 304,859	\$ 332,041	\$ 27,182
Intergovernmental:			
State revenue sharing	-	5,400	5,400
Investment income	3,000	4,498	1,498
Other	-	40	40
Total revenues	<u>\$ 307,859</u>	<u>\$ 341,979</u>	<u>\$ 34,120</u>
Expenditures:			
Current:			
Public works:			
Salaries and related benefits	\$ 65,417	\$ 65,509	\$ (92)
Compensation paid to board members	3,000	2,880	120
Legal and accounting	2,500	2,500	-
Insurance	18,000	16,124	1,876
Office rent and supplies	6,700	6,196	504
Repairs and maintenance	45,000	54,454	(9,454)
Supplies	33,000	30,791	2,209
Pension deduction	-	10,629	(10,629)
Uncollected taxes	-	7,024	(7,024)
Cellular phone	1,500	1,251	249
Other	650	4,496	(3,846)
Capital outlay	24,000	191,373	(167,373)
Debt service:			
Principal	-	-	-
Interest	-	-	-
Other	-	-	-
Total expenditures	<u>\$ 199,767</u>	<u>\$ 393,227</u>	<u>\$ (193,460)</u>
Excess (deficiency) of revenues over expenditures	\$ 108,092	\$ (51,248)	\$ (159,340)
Other financing source:			
Proceeds from disposal of asset	-	18,000	(18,000)
Excess (deficiency) of revenues and other financing source over expenditure	<u>\$ 108,092</u>	<u>\$ (33,248)</u>	<u>\$ 141,340</u>
Fund balances, as previously stated	\$ 604,323	\$ 604,323	\$ -
Prior period adjustments	-	(5,216)	(5,216)
Fund balances, as restated	<u>\$ 604,323</u>	<u>\$ 599,107</u>	<u>\$ (5,216)</u>
Fund balances, ending	<u>\$ 712,415</u>	<u>\$ 565,859</u>	<u>\$ (146,556)</u>

See Notes to Financial Statements.

<u>Debt Service Fund</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 42,689	\$ -	\$ (42,689)
-	-	-
350	202	(148)
-	-	-
<u>\$ 43,039</u>	<u>\$ 202</u>	<u>\$ (42,837)</u>
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	1,003	(1,003)
-	-	-
-	20	(20)
-	31,760	(31,760)
40,000	40,000	-
980	980	-
1,355	801	554
<u>\$ 42,335</u>	<u>\$ 74,564</u>	<u>\$ (32,229)</u>
\$ 704	\$ (74,362)	\$ (75,066)
-	-	-
<u>\$ 704</u>	<u>\$ (74,362)</u>	<u>\$ (75,066)</u>
\$ 75,957	\$ 75,957	\$ -
-	(1,540)	(1,540)
<u>\$ 75,957</u>	<u>\$ 74,417</u>	<u>\$ (1,540)</u>
<u>\$ 76,661</u>	<u>\$ 55</u>	<u>\$ (76,606)</u>

GUEYDAN DRAINAGE DISTRICT OF VERMILION PARISH
VERMILION PARISH POLICE JURY

NOTES TO FINANCIAL STATEMENTS
December 31, 2003

Note 1. Summary of Significant Accounting Policies

Introduction:

Gueydan Drainage District of Vermilion Parish (the "Drainage District") was created by the Vermilion Parish Police Jury, as authorized by Louisiana Revised Statutes 38:1751-1802. The Drainage District is governed by a five-member Board of Commissioners. The Drainage District was established for the purpose of opening and maintaining all natural drains in the district, where drainage is accomplished using the natural force of gravity. This may be accomplished by cutting and opening new drains, ditches, and canals.

Basis of presentation:

The accompanying general purpose financial statements of the Drainage District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the generally accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting entity:

The Drainage District is a component unit of the Vermilion Parish Police Jury, the governing body of the parish and the governmental body with oversight responsibility. The accompanying general purpose financial statements present information only as to the transactions of Gueydan Drainage District of Vermilion Parish and do not present information on the Vermilion Parish Police Jury, the general government services provided by the governmental unit, and other governmental units that comprise the governmental reporting entity.

As the governing authority of the parish, for reporting purposes, the Vermilion Parish Police Jury is the financial reporting entity for Vermilion Parish. The financial reporting entity consists of (1) the primary government (police jury), (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. GASB Statement No. 14, *The Financial Reporting Entity*, establishes criteria for determining which entities should be considered a component and, as such, part of the reporting entity for financial reporting purposes. The basic criteria are as follows:

1. A potential component unit must have separate corporate powers that distinguish it as being legally separate from the primary government. These include the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued in its own name without recourse to a state or local government, and the right to buy, sell, lease, and mortgage property in its own name.
2. The primary government must be financially accountable for a potential component unit. Financial accountability may exist as a result of the primary government appointing a voting majority of the potential component unit's governing body; their ability to impose their will on the potential component unit by significantly influencing the programs, projects, activities, or level of services performed or provided by the potential component unit; or the existence of a financial benefit or burden. In addition, financial accountability may also exist as a result of a potential component unit being fiscally dependent on the primary government.

In some instances, the potential component unit should be included in the reporting entity (even when the criteria in No. 2 above are not met), if exclusion would render the reporting entity's financial statements incomplete or misleading.

The Drainage District does not have any component units.

NOTES TO FINANCIAL STATEMENTS

Fund accounting:

The Drainage District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the restrictions, if any, on the spending activities. The various funds are summarized by type and grouped in the financial statements of this report as follows:

Governmental Funds

Governmental funds are used to account for all or most of the governmental entity's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. Governmental funds include:

General Fund:

The General Fund is the general operating fund of the Drainage District and accounts for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and capital improvement costs that are not paid through other funds are paid from the General 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.

Account Groups

Account groups are reporting devices used to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with the measurement of the results of operations.

General Fixed Assets Account Group:

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in the governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are not capitalized with general fixed assets, as these assets are immovable and of value only to the Drainage District. In accordance with generally accepted accounting principles, no provision is made for depreciation of such assets in the General Fixed Assets Account Group.

All fixed assets are stated on the basis of historical cost. Assets acquired through gifts or donations are recorded at their estimated fair value at time of acquisition.

NOTES TO FINANCIAL STATEMENTS

General Long-Term Debt Account Group:

Long-term debt and long-term liabilities expected to be financed with resources to be provided in future periods from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

Basis of accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements; measurement focus refers to what is being measured. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The governmental funds use a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Their reported fund balance (net current assets) is considered a measure of "available spending resources." Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spending resources" during a period. The modified accrual basis of accounting is utilized by the governmental fund types. Their revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Taxpayer-assessed income and gross receipts are considered measurable when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain. Expenditure-driven grant revenues are recorded when the qualifying expenditures have been incurred and all other grant requirements have been met. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued because they do not vest or accumulate; and (2) principal and interest on general long-term debt which is recognized when due.

Budgets and budgetary accounting:

The budgeted revenue and expenditures are based on current figures and past experience. They are discussed, approved, adopted, and amended as necessary by the Board of Commissioners at the regular monthly meetings. The budget is prepared on a basis consistent with generally accepted accounting principles.

All appropriations lapse at year-end. The Drainage District does not use encumbrance accounting. Actual expenditures may not legally exceed budgeted appropriations by more than 5% at the individual fund level. Actual revenues may not fail to meet budgeted revenues by more than 5% at the individual fund level. Actual expenditures in both the General Fund and the Debt Service Fund exceeded budgeted amounts by more than 5%.

Total column on the financial statements:

The total column on the financial statements is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTES TO FINANCIAL STATEMENTS

Use of 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 at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Cash and investments:

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Under state law, the Drainage District may deposit funds in demand deposits, interest –bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under laws of the United States. The Drainage District may also invest in shares of any homestead and building and loan association in any amount not exceeding the federally insured amount. Investments are stated at cost which approximates market. These investments are time deposits which are fully secured through the pledge of bank-owned securities or federal deposit insurance.

Short-term interfund receivables and payables:

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

Long-term obligations:

Long-term obligations expected to be financed from governmental funds are reported in the general long-term debt account group. Expenditures for principal and interest payments for long-term obligations are recognized in the governmental funds when due.

Inventory:

The Gueydan Drainage District has no inventory. The cost is recorded as expenditure at the time the items are purchased.

Fixed assets:

Fixed assets are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized in the general fixed assets account group. Public domain or infrastructures are not capitalized. Interest costs incurred during construction are capitalized. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical costs.

NOTES TO FINANCIAL STATEMENTS

Compensated absences:

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

Sick leave:

An employee of this governing body shall be entitled to sick leave not to exceed two (2) weeks. An employee taking sick leave shall notify the board member in whose district he is working that he will not report for work that day due to illness. If any employee is absent for more than two (2) consecutive days, the employee must obtain a physician's certificate to certify the number of days which the employee was unable to work due to illness. Otherwise, the employee will not be paid for the days missed. This policy does not provide for absence from work due to mental illness nor self inflicted wounds while sane or insane. This policy does not provide for accumulation and vesting of leave.

Vacation:

An employee of this governing body shall have ten (10) paid vacation days annually beginning after completion of one year of employment. The number of paid vacation days increases to fifteen (15) days after completion of ten years of employment. All days other than Saturday, Sunday, and holidays are to be considered as working days. Vacation time may not accumulate.

Note 2. Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Equipment</u>	<u>Land</u>	<u>Total</u>
Balance, December 31, 2002	\$ 611,164	\$ 14,000	\$ 625,164
Additions	223,133	-	223,133
Reductions	<u>(173,424)</u>	<u>-</u>	<u>(173,424)</u>
Balance, December 31, 2003	<u>\$ 660,873</u>	<u>\$ 14,000</u>	<u>\$ 674,873</u>

Note 3. Changes in General Long-Term Debt

A summary of changes in long-term debt is as follows:

	<u>General Obligation Bonds</u>
Balance, December 31, 2002	\$ 40,000
Reductions	<u>(40,000)</u>
Balance, December 31, 2003	<u>\$ -</u>

On April 1, 1993, the Drainage District issued \$250,000 general obligation bonds with varying interest rates of 3.9% to 7.6%. The bonds require annual payments of \$6,086 to \$40,980, through April 1, 2003.

All general obligation bonds are secured by ad valorem tax assessments.

NOTES TO FINANCIAL STATEMENTS

Note 4. Receivables

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

	<u>General Fund</u>
Ad valorem tax	\$ 290,577
State revenue sharing	<u>5,400</u>
Total	<u>\$ 295,977</u>

Note 5. Interfund Receivables and Payables

Individual fund balances due from/to other funds at December 31, 2003, are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General fund	\$ -	\$ 55
Debt service fund	<u>55</u>	<u>-</u>
Total	<u>\$ 55</u>	<u>\$ 55</u>

Note 6. Cash and Investments

At December 31, 2003, the Drainage District has cash and cash equivalents (book balances) totaling \$280,578 as follows:

Demand deposits	\$ 38,400
Certificates of deposit	<u>242,178</u>
Total	<u>\$ 280,578</u>

These deposits 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. 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. The deposits at December 31, 2003 were secured as follows:

	<u>Bank Balance</u>	<u>FDIC Insurance</u>	<u>Balance Uninsured</u>
Demand deposits	\$ 46,477	\$ 46,477	\$ -
Certificates of deposits	<u>242,178</u>	<u>100,000</u>	<u>142,178</u>
	<u>\$ 288,655</u>	<u>\$ 146,477</u>	\$ 142,178
Securities pledged and held by the Custodial bank in the bank' s name			<u>509,065</u>
Excess of FDIC insurance plus pledged securities over cash plus investments			<u>\$ 366,887</u>

NOTES TO FINANCIAL STATEMENTS

Note 7. Property Taxes

Ad valorem taxes are assessed on a calendar year basis, become due on November 15 of each year, and become delinquent by December 31. The taxes are generally collected in December of the current year and January and February of the ensuing year. The following is a summary of authorized and levied ad valorem taxes:

	<u>Authorized Millage</u>	<u>Levied Millage</u>
General corporate purposes	<u>21.0</u>	<u>21.0</u>
Debt service purposes	<u>3.0</u>	<u>3.0</u>

Note 8. Prior Period Adjustments

Prior period adjustments were made to the current year financial statement due to an error in accruals of prior year ad valorem liabilities and state revenue sharing receivables. Prior period adjustments made against beginning fund balances amounted to \$5,216 in the General Fund and \$1,540 in the Debt Service fund for a total of \$6,756. Effect on the results of prior year operations was immaterial.

Note 9. New Reporting Standard

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. This standard established new financial reporting requirements for state and local governments throughout the United States. When implemented, it will require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in all prior years will be affected. The Drainage District is required to implement this standard for the fiscal year ended December 31, 2004. The Drainage District has not yet determined the full impact that adoption of GASB Statement No. 34 will have on the financial statements.

Note 10. Capital Outlays and Debt Service Fund

As indicated in Note 3, the District completed the payoff of their remaining bond issue. After paying off the remaining bonds and interest, a balance of \$31,760 remained in the debt service fund cash account. During October 2003, the District purchased a new excavator for use in cleaning drainage ditches and canals. Since the purchase of the excavator was within the purpose stated in the original bond issue, the District utilized the remaining funds in the debt service fund along with funds from the general fund to pay for the excavator.

GUEYDAN DRAINAGE DISTRICT OF VERMILION PARISH
VERMILION PARISH POLICE JURY

SCHEDULE OF COMPENSATION PAID TO BOARD OF COMMISSIONERS
Year Ended December 31, 2003

Richard W. Hardee	\$ 600
Leon P. Broussard	600
Clyde Reese, Jr.	540
Adrian LeJeune	600
Joseph D. Simon	<u>540</u>
	<u>\$ 2,880</u>

The schedule of compensation paid to board members was prepared in compliance with House Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

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L. Charles Abshire, CPA*
Kenneth R. Dugas, CPA*
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Stephen L. Lambousy, CPA*
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Peter C. Borrello, CPA*
George J. Trappey III, CPA*
Gregory B. Milton, CPA*
S. Scott Soileau, CPA*
Patrick D. McCarthy, CPA*
Martha B. Wyatt, CPA*
Troy J. Breaux, CPA*
Fayette T. Dupré, CPA*
Mary A. Castille, CPA*
Joey L. Breaux, CPA*
Terrel P. Dressel, CPA*

Retired:

Sidney L. Broussard, CPA 1980
Leon K. Poché, CPA 1984
James H. Breaux, CPA 1987
Erma R. Walton, CPA 1988
George A. Lewis, CPA* 1992
Geraldine J. Wimberley, CPA* 1995
Rodney L. Savoy, CPA* 1996
Larry G. Broussard, CPA* 1996
Lawrence A. Cramer, CPA* 1999
Michael P. Crochet, CPA* 1999
Ralph Friend, CPA 2002

Members of American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants

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**INDEPENDENT AUDITOR' S 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
Gueydan Drainage District of Vermilion Parish
Vermilion Parish Police Jury
Gueydan, Louisiana

We have audited the general purpose financial statements of Gueydan Drainage District of Vermilion Parish as of and for the year ended December 31, 2003, and have issued our report thereon October 1, 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 in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Gueydan Drainage District of Vermilion Parish' 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 two instances of noncompliance that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2003-1 and 2003-2.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Gueydan 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 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 Gueydan Drainage District' s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2003-3 and 2003-4.

To the Board of Commissioners
Gueydan Drainage District of Vermilion Parish
Vermilion Parish Police Jury
Gueydan, Louisiana

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we consider the reportable conditions described above, items 2003-3 and 2003-4, to be material weaknesses.

This report is intended for the information of the management of Gueydan Drainage District of Vermilion Parish and the Legislative Auditor, 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.

Broussard, Roche, Lewis; Bureau L.L.P.

Crowley, Louisiana
October 1, 2004

GUEYDAN DRAINAGE DISTRICT OF VERMILION PARISH
VERMILION PARISH POLICE JURY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2003

We have audited the general purpose financial statements of Gueydan Drainage District of Vermilion Parish, as of and for the year ended December 31, 2003, and have issued our report thereon dated October 1, 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 financial statements as of December 31, 2003 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

The Drainage District did not receive any federal awards for the year ended December 31, 2003.

Section II Financial Statement Findings

2003-1 Report Filing

Finding: The financial report for the year ended December 31, 2003, was not filed with the Legislative Auditor's office within six months of the close of the fiscal year as required by law.

Cause: Information needed to accurately complete the financial report was not available in order to allow the timely completion of the report.

Recommendation and response: We recommend, and management agrees, that every effort will be made to assure that the information needed for the timely completion of the engagement is available.

Questioned costs: \$-0-

2003-2 Budgetary Violation

Findings: Actual expenditures exceeded budgeted amounts by more than 5% in the General Fund and Debt Service Fund. The budgets were not amended as required by the Local Government Budget Act.

Cause: The budgets were not amended prior to the end of the year to meet the 5% rule.

Recommendation and response: We recommend, and management agrees, that the Drainage District follow the provisions of the Budget Act as it pertains to adopting budget amendments as circumstances warrant.

Questioned costs: \$-0-

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended December 31, 2003

2003-3 Board Member Compensation

Finding: Currently there are no taxes being withheld from compensation paid to board of commissioners. According to Internal Revenue Code 31.340(c) – 1, "...officers... whether elected or appointed..." are included in the definition of employee. Therefore, any board member is considered an employee of the Drainage District for tax purposes and the compensation paid to them is subject to social security (if not a member of a retirement system), Medicare (if the board member were appointed or re-appointed after March 31, 1986), and federal and state income tax withholding in 2003.

Cause: The Drainage District is not withholding taxes from the board's compensation payments or remitting tax payments as required by the Internal Revenue Service.

Recommendation and Response: We recommend, and management agrees, that payments to the Board be subject to taxes and withholdings as are payments to other employees. Each Board member should be required to complete a form W-4 annually.

Questioned costs: \$ - 0 -

2003-4 Segregation of Duties

Finding: In reviewing the internal control over financial reporting, we noted that there was an inadequate segregation of duties.

Cause: Due to the limited number of personnel performing administrative functions, the same person writes checks, checks the mail, reconciles the bank statement and enters information into the general ledger.

Recommendation and Response: The Board has evaluated this inadequacy and has concluded that the District cannot afford to hire more administrative employees due to the District's limited resources. The costs would exceed the benefits.

Questioned costs: \$ -0-

Section III Federal Award Findings and Questioned Costs

The Drainage District did not receive any federal awards for the year ended December 31, 2003.

GUEYDAN DRAINAGE DISTRICT OF VERMILION PARISH
VERMILION PARISH POLICE JURY

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended December 31, 2003

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

2002-1 Report Filing

Finding: The financial report for the year ended December 31, 2002 was not filed with the Legislative Auditor's office within six months after the close of the fiscal year as required by law.

Cause: Information needed to accurately complete the financial report was not available in order to allow the timely completion of the report.

Recommendation and response: We recommend, and management agrees, that every effort will be made to assure that the information needed for the timely completion of the engagement is available.

Current status: Information needed to accurately complete the financial report for the year ended December 31, 2003, was not available in order to allow the timely completion of the report, as stated in the schedule of findings and questioned costs.

2002-2 Budget Adoption

Finding: A budget was not adopted in open meeting before the beginning of the year as required by the Local Government Act (LSA-RS: 1301-1316).

Cause: The Drainage District failed to adopt a budget prior to the beginning of the year.

Recommendation and response: We recommend, and management agrees, that the Drainage District follow the provisions of the Budget Act as it pertains to adopting budget amendments as circumstances warrant.

Current status: The Drainage District adopted a budget for the year 2003 before the beginning of the year as required by the Local Government Act (LSA-RS: 1301-1316).

Section II. Internal Control and Compliance Material to Federal Awards

The Drainage District did not receive any federal awards for the year ended December 31, 2002.

Section III. Management Letter

The Drainage District did not receive a management letter for the year ended December 31, 2002.

GUEYDAN DRAINAGE DISTRICT OF VERMILION PARISH
VERMILION PARISH POLICE JURY

MANAGEMENT'S CORRECTIVE ACTION PLAN
Year Ended December 31, 2003

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

Report Filing

Finding: The financial report for the year ended December 31, 2003, was not filed with the Legislative Auditor's office within six months after the close of the fiscal year as required by law.

Cause: Information needed to accurately complete the financial report was not available in order to allow the timely completion of the report.

Recommendation and response: We recommend, and management agrees, that every effort will be made to assure that the information needed for the timely completion of the engagement is available.

Budget Violation

Finding: Actual expenditures exceeded budgeted amounts by more than 5% in the General Fund and Debt Service Fund. The budgets were not amended as required by the Local Government Budget Act.

Cause: The budgets were not amended prior to the end of the year to meet the 5% rule.

Recommendation and response: We recommend, and management agrees, that the Drainage District follow the provisions of the Budget Act as it pertains to adopting budget amendments as circumstances warrant.

Board Member Compensation

Finding: Currently there are no taxes being withheld from compensation paid to board of commissioners. According to Internal Revenue Code 31.340(c)- 1, "...officers...whether elected or appointed..." are included in the definition of employee. Therefore, any board member is considered an employee of the Drainage District for tax purposes and the compensation paid to them is subject to social security (if not a member of a retirement system), Medicare (if the board member were appointed or re-appointed after March 31, 1986), an federal and state income tax withholding in 2003.

Cause: The Drainage District is not withholding taxes from the board's compensation payments or remitting tax payments as required by the Internal Revenue Service.

Recommendation and Response: We recommend, and management agrees that payments to the Board be subject to taxes and withholdings as are employee payments. Each Board member should be required to complete a form W-4 annually.

Segregation of Duties

Finding: In reviewing the internal control over financial reporting, we noted that there was an inadequate segregation of duties.

Cause: Due to the limited number of personnel performing administrative functions, the same person writes checks, checks the mail, reconciles the bank statement and enters information into the general ledger.

Recommendation and Response: The Board has evaluated this inadequacy and has concluded that the District cannot afford to hire more administrative employees due to the District's limited resources. The costs would exceed the benefits.

GUEYDAN DRAINAGE DISTRICT OF VERMILION PARISH
VERMILION PARISH POLICE JURY

MANAGEMENT'S CORRECTIVE ACTION PLAN (CONTINUED)
Year Ended December 31, 2003

Section II. Internal Control and Compliance Material to Federal Awards

The Drainage District did not receive any federal awards for the year ended December 31, 2003.

Section III. Management Letter

The Drainage District did not receive a management letter for the year ended December 31, 2003.

Responsible party: Leon Broussard, President