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**BROUSSARD ENVIRONMENTAL  
SERVICE AND ENHANCEMENT DISTRICT**

**FINANCIAL REPORT**

June 30, 2004

**J. L. SONNIER**  
Certified Public Accountant  
Lafayette, Louisiana

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 1-19-05

## CONTENTS

	<b>Page</b>
Independent auditors' report on the financial statements . . . . .	1-2
Statement of net assets . . . . .	3
Statement of cash flows . . . . .	4
Notes to financial statements . . . . .	5-8
Compliance and internal control . . . . .	9-10
Schedule of audit findings . . . . .	11

**J. L. SONNIER**  
CERTIFIED PUBLIC ACCOUNTANT

401 AUDUBON BLVD. SUITE 103-B  
LAFAYETTE, LA 70503

(337) 235-8188  
FAX: (337) 235-0913  
RES.: (337) 984-5928

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board  
Broussard Environmental Service  
and Enhancement District  
Broussard, Louisiana

I have audited the accompanying financial statements of the business-type activity of Broussard Environmental Service and Enhancement District, a component unit of the City of Broussard, Louisiana, as of and for the year ended June 30, 2004, which comprise the basic financial statements of the District as listed in the table of contents. These financial statements are the responsibility of the Broussard Environmental Service and Enhancement District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activity of the Broussard Environmental Service and Enhancement District, a component unit of the City of Broussard, Louisiana, as of June 30, 2004, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Broussard Environmental Service and Enhancement District adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of June 30, 2004. The adoption results in a change in the format and content of the basic financial statements.

In accordance, with *Government Auditing Standards*, I have also issued my report dated November 18, 2004, on my consideration of the Broussard Environmental Service and Enhancement District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The Broussard Environmental Service and Enhancement District has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

A handwritten signature in cursive script, appearing to read "J. J. Somier". The signature is written in black ink on a white background.

November 18, 2004

**BROUSSARD ENVIRONMENTAL  
SERVICE AND ENHANCEMENT DISTRICT  
STATEMENT OF NET ASSETS**

June 30, 2004

**ASSETS**

Current Assets

Cash on hand and in bank	7,550
<b>Total current assets</b>	<u>7,550</u>

Noncurrent assets

Capital assets, net	<u>858,916</u>
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<b>Total assets</b>	<u>866,466</u>
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**LIABILITIES AND FUND EQUITY**

Liabilities

Current Liabilities

Accounts payable	16,640
<b>Total current liabilities</b>	<u>16,640</u>

Noncurrent Liabilities

Due to other governments	<u>849,826</u>
<b>Total liabilities</b>	<u>866,466</u>

**NET ASSETS**

Invested in capital assets, net of related debt	9,090
Unrestricted (deficit)	<u>(9,090)</u>
<b>Total net assets</b>	<u><u>-</u></u>

**See Notes to Financial Statements.**

**BROUSSARD ENVIRONMENTAL  
SERVICE AND ENHANCEMENT DISTRICT  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2004**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	—
Payments to suppliers	—
Net cash provided (used) by operating activities	<u>—</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Decrease in accounts payable to contractors	(50,072)
Amounts borrowed from the City of Broussard, Louisiana	391,791
Purchases of property, plant and equipment	<u>(341,716)</u>
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>3</u>
 <b>NET INCREASE (DECREASE) IN CASH</b>	 3
 <b>CASH AT BEGINNING OF YEAR</b>	 <u>7,547</u>
 <b>CASH AT END OF YEAR</b>	 <u><u>7,550</u></u>

**See Notes to Financial Statements.**

**BROUSSARD ENVIRONMENTAL  
SERVICE AND ENHANCEMENT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2004

**1. Summary of Significant Accounting Policies**

The financial and reporting policies of the Broussard Environmental Service and Enhancement District ("the District") conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the guidelines set forth in the Louisiana Municipal Audit and Accounting Guide and to the industry audit guide, Audits of States and Local Governmental Units. The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 are applied unless they conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The following is a summary of certain significant accounting policies:

Nature of Operations. The District will contract to provide sewerage treatment, processing and recycling services to the City of Broussard, Louisiana.

Reporting Entity. As the governing entity, the City of Broussard, Louisiana, for reporting purposes, is the financial reporting entity. The financial reporting entity consists of (a) the primary government (City), (b) organizations for which the primary government is financially accountable, and (c) other organizations 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.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the City of Broussard for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the City to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.
2. Organizations for which the City does not appoint a voting majority but are fiscally dependent on the City.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the City appoints the majority of the District's board members and has the ability to impose its will on the District, the District was determined to be a component of the City of Broussard, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the City, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

Fund Accounting. The accounts of the District are organized into one proprietary (enterprise) fund. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues and expenses.

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Enterprise funds distinguish operating revenue and expenses from nonoperating items. Operating revenues are derived from charges for service. All other revenues are reported as nonoperating.

Measurement Focus/Basis of Accounting. Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The District utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

The accrual basis of accounting is utilized. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Capital Assets. Depreciation of all exhaustible capital assets used by the enterprise fund is charged as an expense against its operations, and accumulated depreciation is reported on its balance sheet. Depreciation shall be provided over estimated useful lives using the straight-line method. The estimated useful lives are as follows:

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Sewer treatment system	20-50 years
Equipment and vehicles	05-10 years

All fixed assets are stated at historical cost.

Cash. The District considers only cash on hand and in interest and noninterest-bearing checking accounts to be cash for purposes of the statement of cash flows.

Deposits and Investments. Investments are stated at cost. The District had no investments during the current year. As of June 30, 2004, all of the District's bank deposits were insured by the FDIC.

Under state law, the District may deposit funds in demand or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

The District may invest in bonds, debentures, notes and other evidences of indebtedness backed by the full faith and credit of the U. S. government or are issued or guaranteed by U. S. government instrumentalities which are federally sponsored. Certain collateral mortgage obligation derivatives, inverse floaters, and structured notes are prohibited.

Dollar Signs. All numeric data in the financial statements and accompanying notes are presented in U. S. dollars. Dollar signs have been omitted.

### 2. Capital Assets

Capital asset activity for the year ended June 30, 2004 follows:

	<u>Balance</u> <u>07/01/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06 /30 /04</u>
Land	317,100	220,116	-	537,216
Sewer treatment system	-	-	-	-
Equipment and vehicles	-	-	-	-
Construction in progress	<u>200,100</u>	<u>121,600</u>	-	<u>321,700</u>
Totals	<u>517,200</u>	<u>341,716</u>	-	<u>858,916</u>
Less accumulated depreciation				
Sewer treatment system	-	-	-	-
Equipment and vehicles	-	-	-	-
Total accumulated depreciation	-	-	-	-
Capital assets, net	<u>517,200</u>	<u>341,716</u>	-	<u>858,916</u>

## NOTES TO FINANCIAL STATEMENTS(CONTINUED)

### **3. Retirement System**

The District maintains no retirement system.

### **4. Due to Other Governments**

This liability is the amount advanced to the District by the City of Broussard, Louisiana. No terms have been established for the obligation.

### **5. Board Member Compensation**

The board is comprised of eight members. The members' compensation will be fixed by the governing body of the City of Broussard. Board members received no compensation during 2004.

### **6. Risk Management**

The district is exposed to risks of loss in the areas of general liability and property hazards. Those risks are handled by purchasing commercial insurance. There have been no significant reductions in insurance coverage during the current fiscal year. Settlements have not exceeded insurance coverage during the three year period ended June 30, 2004.

**J. L. SONNIER**  
CERTIFIED PUBLIC ACCOUNTANT

401 AUDUBON BLVD. SUITE 103-B  
LAFAYETTE, LA 70503

(337) 235-8188  
FAX: (337) 235-0913  
RES.: (337) 984-5928

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

Members of the Board of Directors  
Broussard Environmental  
Service and Enhancement District  
Broussard, Louisiana

I have audited the business-type financial statements of Broussard Environmental Service and Enhancement District, a component unit of the City of Broussard, as of and for the year ended June 30, 2004 and have issued my report thereon dated November 18, 2004. I conducted my 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 Broussard Environmental Service and Enhancement District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

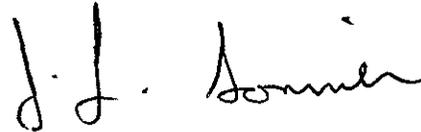
In planning and performing my audit, I considered Broussard Environmental Service and Enhancement District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Broussard Environmental Service and Enhancement District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition noted is described in the accompanying schedule of audit findings as item 04-1.

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL (CONTINUED)

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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe reportable condition 04-1 is a material weakness.

Under Louisiana law, this report is a matter of public record.

This report is intended solely for the information and use of management, others within the organization, and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "J. J. Somner". The signature is written in a cursive style with a large initial "J" and a distinct "S".

November 18, 2004

**BROUSSARD ENVIRONMENTAL  
SERVICE AND ENHANCEMENT DISTRICT**

**Schedule of Prior and Current Audit Findings and  
Management's Corrective Action Plan  
Year Ended June 30, 2004**

**I. Prior Year Findings:**

**Compliance**

There are no findings that are required to be reported under the above.

**Internal Control Over Financial Reporting**

Item 03-1-Inadequate Segregation of Accounting Functions

**Finding:**

Due to the small number of employees, the District did not have adequate segregation of functions within the accounting system.

**Status:**

Unresolved. See item 04-1.

**II. Current Year Findings and Management's Corrective Action Plan:**

**Compliance**

There are no findings that are required to be reported under the above.

**Internal Control Over Financial Reporting**

Item 04-1 - Inadequate Segregation of Accounting Functions

**Finding:**

Due to the small number of employees, (accounting is provided by the City of Broussard, Louisiana) the District did not have adequate segregation of functions within the accounting system.

**Management's corrective action plan:**

Management has determined that it is not cost effective to achieve complete segregation of duties within the accounting department. No plan is considered necessary.