

STATE OF LOUISIANA
POVERTY POINT RESERVOIR DISTRICT

Basic Financial Statements
For the Year Ended June 30, 2005

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

9/28/05

STATE OF LOUISIANA
POVERTY POINT RESERVOIR DISTRICT

Basic Financial Statements
For the Year Ended June 30, 2005

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(Part I)

**STATE OF LOUISIANA
POVERTY POINT RESERVOIR DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2005**

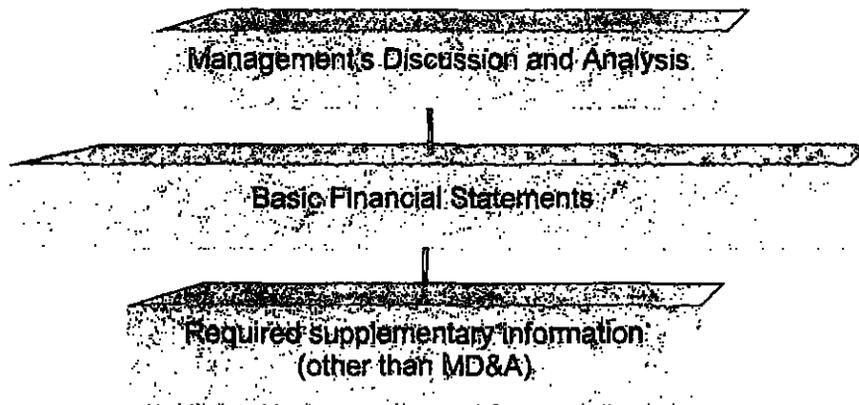
The *Management's Discussion and Analysis of the Poverty Point Reservoir District's* financial performance presents a narrative overview and analysis of Poverty Point Reservoir District's financial activities for the years ended June 30, 2005, June 30, 2004 and June 30, 2003. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- ★ The Poverty Point Reservoir District's assets exceeded its liabilities at the close of fiscal year 2005 by \$3,323,463 which represents less than a 1% increase from last fiscal year.
- ★ The Poverty Point Reservoir District's revenue increased by \$9,173 or 6%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Governments Engaged in Governmental Activities established by Governmental Accounting Standards Board Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.



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

**STATE OF LOUISIANA
POVERTY POINT RESERVOIR DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2005**

Basic Financial Statements

The basic financial statements present information for the Poverty Point Reservoir District as a whole, in a format designed to make the statements easier for the reader to understand.

The Statement of Net Assets and the Statement of Activities provide information about the operations of the Poverty Point Reservoir District, Louisiana as a whole and present a longer-term view of the current District finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets and the Statement of Activities report the District's net assets and changes in them. The net difference between the assets and liabilities measures the health of the District's finances.

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

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets
as of June 30

	Total		
	2005	2004	2003
Current and other assets	\$ 397,504	\$ 497,720	\$ 900,524
Capital assets	2,930,142	2,833,826	5,908,591
Total assets	<u>3,327,646</u>	<u>3,331,546</u>	<u>6,809,115</u>
Other liabilities	4,183	35,280	290,051
Long-term debt outstanding	0	0	0
Total liabilities	<u>4,183</u>	<u>35,280</u>	<u>290,051</u>
Net assets:			
Invested in capital assets, net of debt	2,930,142	2,833,826	5,908,591
Restricted	292,367	335,605	497,361
Unrestricted	100,954	126,835	113,091
Total net assets	<u>\$ 3,323,463</u>	<u>\$ 3,296,266</u>	<u>\$ 6,519,063</u>

**STATE OF LOUISIANA
POVERTY POINT RESERVOIR DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2005**

Restricted net assets represent those assets that are not available for spending as a result of legislative requirements, donor agreements, or grant requirements. Conversely, unrestricted net assets are those that do not have any limitations on how these amounts may be spent.

Net assets of Poverty Point Reservoir District's increased by \$27,197 or 1%, from June 30, 2004 to June 30, 2005.

**Statement of Revenues, Expenditures, and Changes in Fund Net Assets
for the years ended June 30**

	Total		
	2005	2004	2003
Revenues	\$ 168,116	\$ 158,943	\$ 4,805,720
Expenditures	231,241	333,086	4,937,975
Excess (Deficiency) of Revenues over Expenditures	-63,125	-174,143	-132,255
Other Financing Sources	0	26,117	11,500
Net Change in Fund Balance	-63,125	-148,026	-120,755

The Poverty Point Reservoir District's revenues increased by \$9,173 or 6%.

CAPITAL ASSETS

Capital Assets

At the end of 2005, the Poverty Point Reservoir District had \$2,930,142 invested in a broad range of capital assets, including land, buildings, equipment and infrastructure. (See Table below). This amount represents a net increase (including additions and deductions) of \$96,316, or 3.4%, over last year.

**STATE OF LOUISIANA
 POVERTY POINT RESERVOIR DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 AS OF JUNE 30, 2005**

**Capital Assets at Year-end
 (Net of Depreciation)**

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Land	\$ 2,430,459	\$ 2,430,459	\$ 2,416,049
Buildings and improvements	87,540	92,094	0
Equipment	0	115	7,367
Infrastructure	412,143	311,158	821,174
Construction in Progress	<u>0</u>	<u>0</u>	<u>2,664,008</u>
Totals	\$ \$ 2,930,142	\$ \$ 2,833,826	\$ \$ 5,908,598

This year's major addition included:

- Natural Gas Line Installation 118,199

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS

Revenues were more than budgeted and expenditures were less than budget due in part to a decrease in contingency expenditures.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Poverty Point Reservoir District's appointed officials considered the following factors and indicators when setting next year's budget and fees. These factors and indicators include:

- Expenses necessary to fund general operations of the District.
- Cash flow projected from the collection of accounts receivable as development lots are sold.

The Poverty Point Reservoir District expects that next year's results will be comparable to the year ended June 30, 2005.

CONTACTING THE POVERTY POINT RESERVOIR DISTRICT'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Poverty Point Reservoir District's finances and to show the Poverty Point Reservoir District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michael M. Martin, Chairman.

STATE OF LOUISIANA
Annual Financial Statements
Fiscal Year Ending June 30, 2005

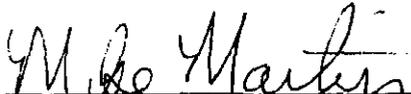
Poverty Point Reservoir District

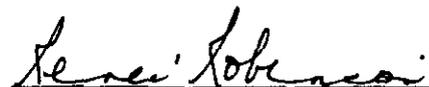
Division of Administration
Office of Statewide Reporting
and Accounting Policy
P. O. Box 94095
Baton Rouge, Louisiana 70804-9095

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

AFFIDAVIT

Personally came and appeared before the undersigned authority, Mike Martin, President of Poverty Point Reservoir District, Louisiana, who duly sworn, deposes and says, that the financial statements herewith given present fairly the financial position of Poverty Point Reservoir District at June 30, 2005 and the results of operations for the year then ended in accordance with policies and practices established by the Division of Administration or in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board. Sworn and subscribed before me, this 14th day of September, 2005.


Signature of Agency Official

 #044870
NOTARY PUBLIC

Prepared by: Susan C. Cochran

Title: CPA

Telephone No.: 318-728-4855

Date: September 14, 2005

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Poverty Point Reservoir District
Delhi, Louisiana

We have audited the accompanying basic financial statements of the Poverty Point Reservoir District, a component unit of the State of Louisiana reporting entity as of and for the year ended June 30, 2005 as listed in the table of contents. These basic financial statements are the responsibility of the Poverty Point Reservoir District's management. Our responsibility is to express an opinion on these basic 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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 18 to the financial statements, alleged fraudulent activity has been discovered subsequent to the balance sheet date. The final outcome of any investigations regarding this alleged activity are unknown at this time. In addition, no provision for any liability has been made in the financial statements for possible claims in regard to the activity.

In our opinion, except for the effects, if any, of the alleged fraudulent activity that may not have been discovered and future claims that could be filed, as described in the preceding paragraph, 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 Poverty Point Reservoir District as of June 30, 2005 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued our report dated September 12, 2005 on our consideration of the Poverty Point Reservoir District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budget comparison schedules presented as other required supplemental information 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 an opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplementary information listed in the table of contents as Other Supplemental Schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Poverty Point Reservoir District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cochran Clark Robinson

Rayville, Louisiana
September 12, 2005

BASIC FINANCIAL STATEMENTS

POVERTY POINT RESERVOIR DISTRICT
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
GENERAL FUND
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>TOTAL GOVERNMENTAL ACTIVITIES</u>
ASSETS	
CURRENT	
Cash and Cash Equivalents	289,067
Investments	50,000
Receivables	6,572
Prepaid	<u>2,465</u>
TOTAL CURRENT ASSETS	<u>348,104</u>
NONCURRENT ASSETS	
Receivables	49,400
Capital Assets (net)	<u>2,930,142</u>
TOTAL NONCURRENT ASSETS	<u>2,979,542</u>
TOTAL ASSETS	<u>3,327,646</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts and Other Payables	<u>904</u>
TOTAL CURRENT LIABILITIES	<u>904</u>
NONCURRENT LIABILITIES	
Compensated Absences	<u>3,279</u>
TOTAL NONCURRENT LIABILITIES	<u>3,279</u>
TOTAL LIABILITIES	<u>4,183</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	2,930,142
Restricted for:	
Capital Projects	289,902
Prepays	2,465
Unrestricted	<u>100,954</u>
TOTAL NET ASSETS	<u>3,323,463</u>

The notes to the financial statements are an integral part of this statement.

POVERTY POINT RESERVOIR DISTRICT
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
GENERAL FUND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Program Revenues</u>	<u>Net</u>	<u>Net (Expenses) Revenues</u>
	<u>Operating</u>	<u>(Expenses)</u>	<u>and Change in Net Assets</u>
	<u>Grants and</u>	<u>Revenue</u>	<u>Governmental</u>
	<u>Contributions</u>	<u>Governmental</u>	<u>Activities</u>
	<u>Capital</u>	<u>Activities</u>	<u>Total</u>
	<u>Grants &</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Contributions</u>	<u>Activities</u>	<u>Activities</u>
	<u>Expenses</u>	<u>Revenues</u>	<u>Revenues</u>
Governmental Activities			
General Government	50,000	(16,515)	(16,515)
Lake Development	-	87,553	87,553
Total Governmental Activities	<u>50,000</u>	<u>71,038</u>	<u>71,038</u>
General Revenues			
Investment Earnings		1,811	1,811
Other General Revenues		475	475
Extraordinary Item			
Theft Loss		(38,002)	(38,002)
Total General Revenues and Extraordinary Item		<u>(35,716)</u>	<u>(35,716)</u>
Change in Net Assets		35,322	35,322
Net Assets - Beginning		3,296,266	3,296,266
Prior Period Adjustment		(8,125)	(8,125)
Net Assets - Ending		<u>3,323,463</u>	<u>3,323,463</u>

The notes to the financial statements are an integral part of this statement.

POVERTY POINT RESERVOIR DISTRICT
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
BALANCE SHEET
JUNE 30, 2005

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Capital</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Projects</u>	<u>Funds</u>
ASSETS			
CURRENT ASSETS			
Cash & Cash Equivalents	54,518	234,549	289,067
Investments	50,000	-	50,000
Accounts Receivable - Other	-	6,500	6,500
Prepaid	2,465	-	2,465
Interest Receivable	72	-	72
TOTAL CURRENT ASSETS	<u>107,055</u>	<u>241,049</u>	<u>348,104</u>
NONCURRENT ASSETS			
Accounts Receivable	-	49,400	49,400
TOTAL NONCURRENT ASSETS	<u>-</u>	<u>49,400</u>	<u>49,400</u>
TOTAL ASSETS	<u>107,055</u>	<u>290,449</u>	<u>397,504</u>
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts Payable	13	547	560
Payroll Taxes Payable	344	-	344
Total Liabilities	<u>357</u>	<u>547</u>	<u>904</u>
Fund Balance:			
Reserved for Prepaids	2,465	-	2,465
Reserved for Construction	-	289,902	289,902
Unreserved	104,233	-	104,233
Total Fund Balance	<u>106,698</u>	<u>289,902</u>	<u>396,600</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>107,055</u>	<u>290,449</u>	<u>397,504</u>

The notes to the financial statements are an integral part of this statement.

POVERTY POINT RESERVOIR DISTRICT
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Governmental Funds</u>
Revenues:			
Intergovernmental	50,000	115,830	165,830
Interest	1,382	429	1,811
Other	475	-	475
Total Revenue	<u>51,857</u>	<u>116,259</u>	<u>168,116</u>
Expenditures:			
Current			
General Government	66,371	8,669	75,040
Capital Outlay	-	<u>118,199</u>	<u>118,199</u>
Total Expenditures	<u>66,371</u>	<u>126,868</u>	<u>193,239</u>
Excess (Deficiency) of Revenues over Expenditures	(<u>14,514</u>)	(<u>10,609</u>)	(<u>25,123</u>)
Other Financing Sources (Uses)	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Extraordinary Item Theft Loss	(8,758)	(29,244)	(38,002)
Net Change in Fund Balance	(<u>23,272</u>)	(<u>39,853</u>)	(<u>63,125</u>)
Fund Balance at Beginning of Year	129,970	335,605	465,575
Prior Period Adjustment	-	(5,850)	(5,850)
Fund Balance at End of Year	<u>106,698</u>	<u>289,902</u>	<u>396,600</u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

**POVERTY POINT RESERVOIR DISTRICT
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005**

INTRODUCTION

The Poverty Point Reservoir District was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statute 38:3087. The following is a brief description of the operations of Poverty Point Reservoir District which includes the parishes of Richland, Madison, East Carroll and West Carroll in which the District is located. The district is created for the purpose of the development of the wealth and natural resources of the district by the conservation of soil and water for agricultural, recreational, commercial, industrial, and sanitary purposes. The creation and maintenance of a lake within the district shall be for such purposes. The board is composed of eight members appointed by the governor.

The oversight reporting entity is the State of Louisiana. The district is considered a component unit of the State of Louisiana because the State exercises oversight responsibility in that the governor appoints the board members and public service is rendered within the State's boundaries. The accompanying financial statements represent the activities of the Poverty Point Reservoir District of Louisiana and therefore are a part of the fund and account group structure of the general purpose financial statements of the State of Louisiana.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

The 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*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of July 1, 2001.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Poverty Point Reservoir District. 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. Fiduciary funds are not included in government-wide financial statements.

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 meetings 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. The District does not presently have indirect expenses and therefore none have been allocated in the Statement of Activities.

Restricted resources are used first to fund capital outlay expenditures.

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

B. Measurement Focus, Basis of Accounting, and 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. 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. Compensated absences and claims and judgments, are recorded only when payment is due.

The Poverty Point Reservoir District reports the following governmental funds:

General Fund

The General Fund is the general operating fund of the Poverty Point Reservoir District. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition, construction, or improvements of major capital facilities other than those not reported in other funds.

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. Internally dedicated resources are reported as general revenues rather than as program revenues.

C. Deposits and Investments

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

D. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental column in the government-wide financial statements. Capital assets are capitalized at historical cost. The Poverty Point Reservoir District maintains a threshold level of \$2,500 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, lake, and certain infrastructure assets, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Infrastructure assets	25-50 years
Land improvements	20-30 years
Buildings and building improvements	25-40 years
Furniture and fixtures	5-7 years
Vehicles	5 years
Equipment	5-7 years

E. Compensated Absences

The Poverty Point Reservoir District has the following policy on annual and sick leave:

Employees earn and accumulate annual and sick leave at various rates depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits.

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the General Fund when leave is actually taken. The cost of leave privileges applicable to general government operations not requiring current resources is recorded in the Statement of Net Assets.

F. Fund Equity

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.

G. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the Poverty Point Reservoir District, which are either unusual in nature or infrequent in occurrence.

The financial statements report a theft loss as an extraordinary item. The loss reported is the amount for the fiscal year ended June 30, 2005. A portion of the theft loss from prior years has been reported as a prior period adjustment to fund balance to the extent that capital assets retained by the District were impacted.

H. 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 and expenditures during the reporting period. Actual results could differ from those estimates.

The Reservoir District uses the direct write-off method of accounting for bad debts. Management believes that any allowance would be immaterial.

I. Reconciliations of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets. The following reconciles the fund balances of governmental funds to the government-wide statement of net assets.

Fund Balances - Total Governmental Funds	396,600
Compensated Absences	(3,279)
Capital Assets (Net)	<u>2,930,142</u>
Net Assets of Governmental Activities	<u>3,323,463</u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities. The following reconciles the net changes in fund balance-total governmental funds to the changes in net assets of governmental activities.

Net Change in Fund Balances - Total Government Funds		(63,125)
Capital Outlay	118,199	
Depreciation	(19,608)	
Compensated Absences	(<u>144</u>)	
Net Adjustment		<u>98,447</u>
Change in Net Assets of Governmental Activities		<u>35,322</u>

2. BUDGETING

The Poverty Point Reservoir District utilizes the following budgetary practices:

The District prepares its budget in accordance with Louisiana Revised Statute 39:1301. The budget is prepared on a modified accrual basis for the General Fund. The budget for the fiscal year ended June 30, 2005 was adopted in June 2004. All appropriations lapse at year-end, and any encumbrances outstanding at year-end in the governmental funds are included in the next year's budget with funds appropriated in that year to finance them. The District was not in compliance with the budgeted expenditures.

3. CASH AND CASH EQUIVALENTS

At June 30, 2005, the Poverty Point Reservoir District has cash and cash equivalents (book balances) totaling \$289,067 as follows:

Interest-bearing demand deposits	\$288,917
Other	<u>150</u>
Total	<u>289,067</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.

At June 30, 2005 the Poverty Point Reservoir District has \$290,684 in deposits (collected bank balances) as follows:

	Deposits in Bank Accounts			Total
	Demand <u>Deposit</u>	Of <u>Deposit</u>	Other <u>(Describe)</u>	
Deposits in Bank Accounts per Balance Sheet	288,917	-	-	288,917
Bank Balances:				
a. Insured (FDIC) or collateralized with securities held by the entity or its agent in the entity's name	100,000	-	-	100,000
b. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name	-	-	-	-
c. Uncollateralized, including any securities held for the entity but not in the entity's name	<u>188,917</u>	<u>-</u>	<u>-</u>	<u>188,917</u>
Total Bank Balances	<u>290,684</u>	<u>-</u>	<u>-</u>	<u>290,684</u>

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

<u>Banking Institution</u>	<u>Program</u>	<u>Amount</u>
1. AmSouth Bank	General Fund	55,504
2. AmSouth Bank	Special Projects	197,677
3. AmSouth Bank	Special Projects	<u>37,503</u>
Total		<u>290,684</u>
Cash in State Treasury		-
Petty Cash		<u>150</u>

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 40, 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.

7. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2005, for the primary government is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Prior Period Adjustment</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated					
Land	2,430,459	-	-	-	2,430,459
Total Capital Assets, not being depreciated	<u>2,430,459</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,430,459</u>
Capital Assets being depreciated					
Buildings	93,457	-	-	(2,308)	91,149
Machinery and Equipment	32,385	-	-	-	32,385
Infrastructure	<u>341,708</u>	<u>118,199</u>	<u>-</u>	<u>-</u>	<u>459,907</u>
Total Capital Assets being depreciated	<u>467,550</u>	<u>118,199</u>	<u>-</u>	<u>(2,308)</u>	<u>583,441</u>
Less Accumulated Depreciation for:					
Buildings	1,363	2,279	-	(33)	3,609
Machinery and Equipment	32,270	115	-	-	32,385
Infrastructure	<u>30,550</u>	<u>17,214</u>	<u>-</u>	<u>-</u>	<u>47,764</u>
Total Accumulated Depreciation	<u>64,183</u>	<u>19,608</u>	<u>-</u>	<u>(33)</u>	<u>83,758</u>
Total Capital Assets being depreciated, net	<u>403,367</u>	<u>98,591</u>	<u>-</u>	<u>-</u>	<u>499,683</u>
Total Capital Assets	<u>2,833,826</u>	<u>98,591</u>	<u>-</u>	<u>(2,275)</u>	<u>2,930,142</u>

Depreciation expense of \$19,608 for the year ended June 30, 2005 was charged to the following governmental functions:

General	-
Capital	19,608

8. INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS

There were no interfund transfers in the year ended June 30, 2005.

9. ACCOUNTS AND OTHER PAYABLES

The payables of \$904 at June 30, 2005 are as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Payroll Taxes Payable	344	-	344
Trade Accounts	<u>13</u>	<u>547</u>	<u>560</u>
Total	<u>357</u>	<u>547</u>	<u>904</u>

10. DEBT

The District has no short-term or capital lease obligations.

The long-term obligations consist of compensated absences. The following is a summary of the long-term obligation transactions for the year ended June 30, 2005:

	<u>Compensated Absences</u>
Long-term obligations at Beginning of Year	3,135
Additions	144
Deductions	<u>-</u>
Long-term obligations at End of Year	<u>3,279</u>

All of the obligations are considered to be long-term.

11. RETIREMENT SYSTEMS

Substantially all of the employees of the District are members of the La State Employees Retirement System (System), a cost sharing multiple-employer, defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees.

All full-time District employees are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service.

Vested employees are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, vested employees have the option of reduced benefits at any age with 20 years of service. The System also provides death and disability benefits. Benefits are established or amended by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608 or (800) 256-3000.

Members are required by state statute to contribute 7.5% of gross salary, and the District is required to contribute at an actuarially determined rate as required by R.S. 11:102. The employer contribution rate for the fiscal year ended June 30, 2005 increased from 15.8% to 17.8%. The District contributions to the System for the years ending June 30, 2005, 2004, 2003, and 2002, were \$3,810, \$3,433, \$4,386, and \$9,685, respectively, equal to the required contributions for each year.

12. OTHER POSTEMPLOYMENT BENEFITS

The Poverty Point Reservoir District provides no postemployment benefits.

13. RISK MANAGEMENT

The District is exposed to a variety of risks that may result in losses. These risks include possible loss from acts of God, injury to employees, property damage, or breach of contract. The District finances these potential losses through purchasing insurance from several commercial companies. The level of coverage has remained constant. The District is not a member of a risk pool. There have been no reductions in insurance coverage from prior year coverages for the year ended June 30, 2005. The District has not incurred any losses or made any settlement agreements.

14. CONTINGENT LIABILITIES AND LITIGATION

There are no pending litigations or claims against the District at June 30, 2005, which, if asserted, in the opinion of the District's legal counsel would have at least a reasonable probability of an unfavorable outcome or for which resolution would materially affect the financial statements.

As disclosed in Note 18, District Management is investigating some alleged fraudulent transactions involving cash disbursements. A loss contingency may result to the extent that illegal disbursements are determined. An estimate of this loss cannot reasonably be determined at this time.

15. COOPERATIVE ENDEAVOR

LRS 33:9022 defines cooperative endeavors as any form of economic development assistance between and among the state of Louisiana, its local governmental subdivisions, political corporations, public benefit corporations, the United States government or its agencies, or any public or private association, corporation, or individual. The term cooperative endeavor includes cooperative financing, cooperative development, or any form of cooperative economic development activity. The state of Louisiana has entered into cooperative endeavor agreements with certain entities aimed at developing the economy of the state. The liability outstanding as of June 30, 2005, by funding source, is as follows:

<u>Funding Source</u>	<u>Balance</u> <u>June 30, 2005</u>
Statutorily Dedicated Revenue	<u>-</u>

* State Liability from Capital Outlay Appropriations

16. PRIOR PERIOD ADJUSTMENTS

The following adjustments were made to restate beginning net assets for June 30, 2005.

Ending Net Assets July 1, 2004 as previously reported		3,296,266
Capital Assets Reduction	(2,275)	
Note Receivable Reduction	(5,850)	(8,125)
Beginning Net Assets July 1, 2004 as restated		<u>3,288,141</u>

17. COMPENSATION TO BOARD MEMBERS

The Board Members and compensation are as follows:

Mike Martin	-0-
Dr. Ed Eiland	-0-
David P. Doughty	-0-
Sylvia Armstrong	-0-
Mike Gammill	-0-
Brant Thompson	-0-
James Morse	-0-
Cleophas May	-0-

18. SUBSEQUENT EVENTS

Alleged fraudulent activity was discovered on August 18, 2005 as the Reservoir District prepared to complete required financial reports. Management responded immediately questioning the employee, securing the records of the agency and suspending employment. Notification was given to authorities immediately. The allegations involve unauthorized approvals of invoices and unapproved payments by checks and from petty cash. For the year ended June 30, 2005 the amount of the alleged fraud discovered is \$38,002. An additional amount of \$15,356 was identified as occurring after June 30, 2005 through August 18, 2005. An investigation is in progress by the Sheriff of Richland Parish.

Required Supplemental Information
(Part II)

POVERTY POINT RESERVOIR DISTRICT
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
GENERAL FUND
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	<u>2005</u>		<u>Variance with Final Budget</u>
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Intergovernmental	50,000	50,000	-
Interest	-	1,382	1,382
Other	-	475	475
Total Revenue	<u>50,000</u>	<u>51,857</u>	<u>1,857</u>
Expenditures:			
Current			
Automobile	1,000	74	926
Contingencies	50,000	-	50,000
Insurance	20,000	18,698	1,302
Miscellaneous	1,500	413	1,087
Office Maintenance	4,200	1,450	2,750
Office Supplies	1,600	1,873	(273)
Professional	5,800	10,907	(5,107)
Retirement	4,400	3,810	590
Salaries	23,000	22,728	272
Taxes	500	328	172
Travel	3,800	438	3,362
Utilities	12,000	5,652	6,348
Total Current	<u>127,800</u>	<u>66,371</u>	<u>61,429</u>
Excess (Deficiency) of Revenues over Expenditures	(<u>77,800</u>)	(<u>14,514</u>)	<u>63,286</u>
Other Financing Sources (Uses)			
Operating Transfers In	-	-	-
Operating Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Extraordinary Item			
Theft Loss	-	(8,758)	(8,758)
Net Change in Fund Balance	(<u>77,800</u>)	(<u>23,272</u>)	<u>54,528</u>
Fund Balance at Beginning of Year	<u>129,970</u>	<u>129,970</u>	-
Fund Balance at End of Year	<u>52,170</u>	<u>106,698</u>	<u>54,528</u>

The notes to the financial statements are an integral part of this statement.

Other Supplemental Schedules

STATE OF LOUISIANA
POVERTY POINT RESERVOIR DISTRICT

ANNUAL FINANCIAL STATEMENTS
AS OF JUNE 30, 2005 AND
FOR THE YEAR THEN ENDED

POVERTY POINT RESERVOIR DISTRICT
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA

Annual Financial Statements
As of and For The Year Ended June 30, 2005
With Supplemental Information Schedules

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TRANSMITTAL LETTER

ANNUAL FINANCIAL STATEMENTS

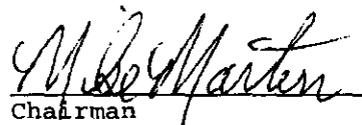
September 12, 2005

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

In accordance with Louisiana Revised Statute 24:514, enclosed are the annual financial statements for the Poverty Point Reservoir District, Louisiana, as of and for the fiscal year ended June 30, 2005. This report includes all funds under the control and oversight of the Poverty Point Reservoir District.

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

Sincerely,


Chairman

Enclosure

STATE OF LOUISIANA
Annual Financial Statements
Fiscal Year Ending June 30, 2005

Poverty Point Reservoir District

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

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

AFFIDAVIT

Personally came and appeared before the undersigned authority, Mike Martin, President of Poverty Point Reservoir District, Louisiana, who duly sworn, deposes and says, that the financial statements herewith given present fairly the financial position of Poverty Point Reservoir District at June 30, 2005 and the results of operations for the year then ended in accordance with policies and practices established by the Division of Administration or in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board. Sworn and subscribed before me, this 14th day of September, 2005.



Signature of Agency Official

 #044870

NOTARY PUBLIC

Prepared by: Susan C. Cochran

Title: CPA

Telephone No.: 318-728-4855

Date: September 14, 2005

**STATE OF LOUISIANA
POVERTY POINT RESERVOIR DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2005**

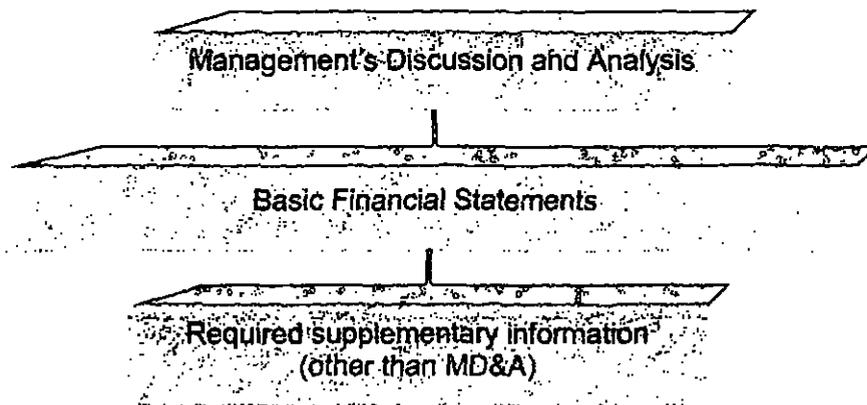
The Management's Discussion and Analysis of the Poverty Point Reservoir District's financial performance presents a narrative overview and analysis of Poverty Point Reservoir District's financial activities for the years ended June 30, 2005, June 30, 2004 and June 30, 2003. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- ★ The Poverty Point Reservoir District's assets exceeded its liabilities at the close of fiscal year 2005 by \$3,323,463 which represents less than a 1% increase from last fiscal year.
- ★ The Poverty Point Reservoir District's revenue increased by \$9,173 or 6%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Governments Engaged in Governmental Activities established by Governmental Accounting Standards Board Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.



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

**STATE OF LOUISIANA
 POVERTY POINT RESERVOIR DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 AS OF JUNE 30, 2005**

Basic Financial Statements

The basic financial statements present information for the Poverty Point Reservoir District as a whole, in a format designed to make the statements easier for the reader to understand.

The Statement of Net Assets and the Statement of Activities provide information about the operations of the Poverty Point Reservoir District, Louisiana as a whole and present a longer-term view of the current District finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets and the Statement of Activities report the District's net assets and changes in them. The net difference between the assets and liabilities measures the health of the District's finances.

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

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets
 as of June 30

	Total		
	2005	2004	2003
Current and other assets	\$ 397,504	\$ 497,720	\$ 900,524
Capital assets	2,930,142	2,833,826	5,908,598
Total assets	<u>3,327,646</u>	<u>3,331,546</u>	<u>6,809,122</u>
Other liabilities	4,183	35,280	290,058
Long-term debt outstanding	0	0	0
Total liabilities	<u>4,183</u>	<u>35,280</u>	<u>290,058</u>
Net assets:			
Invested in capital assets, net of debt	2,930,142	2,833,826	5,908,598
Restricted	292,367	335,605	497,368
Unrestricted	100,954	126,835	113,098
Total net assets	<u>\$ 3,323,463</u>	<u>\$ 3,296,266</u>	<u>\$ 6,519,064</u>

**STATE OF LOUISIANA
 POVERTY POINT RESERVOIR DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 AS OF JUNE 30, 2005**

Restricted net assets represent those assets that are not available for spending as a result of legislative requirements, donor agreements, or grant requirements. Conversely, unrestricted net assets are those that do not have any limitations on how these amounts may be spent.

Net assets of Poverty Point Reservoir District's increased by \$27,197 or 1%, from June 30, 2004 to June 30, 2005.

**Statement of Revenues, Expenditures, and Changes in Fund Net Assets
 for the years ended June 30**

	Total		
	2005	2004	2003
Revenues	\$ 168,116	\$ 158,943	\$ 4,805,720
Expenditures	<u>231,241</u>	<u>333,086</u>	<u>4,937,975</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-63,125</u>	<u>-174,143</u>	<u>-132,255</u>
Other Financing Sources	<u>0</u>	<u>26,117</u>	<u>11,500</u>
Net Change in Fund Balance	<u><u>-63,125</u></u>	<u><u>-148,026</u></u>	<u><u>-120,755</u></u>

The Poverty Point Reservoir District's revenues increased by \$9,173 or 6%.

CAPITAL ASSETS

Capital Assets

At the end of 2005, the Poverty Point Reservoir District had \$2,930,142 invested in a broad range of capital assets, including land, buildings, equipment and infrastructure. (See Table below). This amount represents a net increase (including additions and deductions) of \$96,316, or 3.4%, over last year.

**STATE OF LOUISIANA
 POVERTY POINT RESERVOIR DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 AS OF JUNE 30, 2005**

Capital Assets at Year-end
 (Net of Depreciation)

	2005	2004	2003
Land	\$ 2,430,459	\$ 2,430,459	\$ 2,416,049
Buildings and improvements	87,540	92,094	0
Equipment	0	115	7,367
Infrastructure	412,143	311,158	821,174
Construction in Progress	0		2,664,008
Totals	\$ \$ 2,930,142	\$ \$ 2,833,826	\$ \$ 5,908,598

This year's major addition included:

- Natural Gas Line Installation 118,199

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS

Revenues were more than budgeted and expenditures were less than budget due in part to a decrease in contingency expenditures.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Poverty Point Reservoir District's appointed officials considered the following factors and indicators when setting next year's budget and fees. These factors and indicators include:

- Expenses necessary to fund general operations of the District.
- Cash flow projected from the collection of accounts receivable as development lots are sold.

The Poverty Point Reservoir District expects that next year's results will be comparable to the year ended June 30, 2005.

CONTACTING THE POVERTY POINT RESERVOIR DISTRICT'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Poverty Point Reservoir District's finances and to show the Poverty Point Reservoir District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michael M. Martin, Chairman.

Susan C. Cochran, CPA
A.C. Clark III, CPA
Reneé Robinson, CPA

(318) 728-4855
(318) 728-5670
Fax (318) 728-6618
cpacci@bellsouth.net

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Poverty Point Reservoir District
Delhi, Louisiana

We have audited the accompanying basic financial statements of the Poverty Point Reservoir District, a component unit of the State of Louisiana reporting entity as of and for the year ended June 30, 2005 as listed in the table of contents. These basic financial statements are the responsibility of the Poverty Point Reservoir District's management. Our responsibility is to express an opinion on these basic 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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 18 to the financial statements, alleged fraudulent activity has been discovered subsequent to the balance sheet date. The final outcome of any investigations regarding this alleged activity are unknown at this time. In addition, no provision for any liability has been made in the financial statements for possible claims in regard to the activity.

In our opinion, except for the effects, if any, of the alleged fraudulent activity that may not have been discovered and future claims that could be filed, as described in the preceding paragraph, 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 Poverty Point Reservoir District as of June 30, 2005 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued our report dated September 12, 2005 on our consideration of the Poverty Point Reservoir District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budget comparison schedules presented as other required supplemental information 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 an opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplementary information listed in the table of contents as Other Supplemental Schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Poverty Point Reservoir District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cochran Clark & Robinson

Rayville, Louisiana
September 12, 2005

BASIC FINANCIAL STATEMENTS

STATE OF LOUISIANA
Poverty Point Reservoir District
BALANCE SHEET
AS OF June 30, 2005

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (Note C1)	\$	<u>289,067</u>
Investments (Note C2)		<u>50,000</u>
Receivables (net of allowance for doubtful accounts)(Note U)		<u>6,572</u>
Due from other funds (Note Y)		
Due from federal government		
Inventories		
Prepayments		<u>2,465</u>
Notes receivable		
Other current assets		
Total current assets		<u>348,104</u>

NONCURRENT ASSETS:

Restricted assets (Note F):		
Cash		
Investments		
Receivables		<u>49,400</u>
Notes receivable		
Capital assets (net of depreciation)(Note D)		
Land		<u>2,430,459</u>
Buildings and improvements		<u>87,541</u>
Machinery and equipment		
Infrastructure		<u>412,142</u>
Construction in progress		<u>0</u>
Other noncurrent assets		
Total noncurrent assets		<u>2,979,542</u>
Total assets	\$	<u>3,327,646</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accruals (Note V)	\$	<u>904</u>
Due to other funds (Note Y)		
Due to federal government		
Deferred revenues		
Amounts held in custody for others		
Other current liabilities		
Current portion of long-term liabilities:		
Contracts payable		
Reimbursement contracts payable		
Compensated absences payable (Note K)		
Capital lease obligations - (Note J)		
Notes payable		
Liabilities payable from restricted assets (Note Z)		
Bonds payable		
Other long-term liabilities		
Total current liabilities		<u>904</u>

NON-CURRENT LIABILITIES:

Contracts payable		
Reimbursement contracts payable		
Compensated absences payable (Note K)		<u>3,279</u>
Capital lease obligations (Note J)		
Notes payable		
Liabilities payable from restricted assets (Note Z)		
Bonds payable		
Other long-term liabilities		
Total long-term liabilities		<u>3,279</u>
Total liabilities		<u>4,183</u>

NET ASSETS

Invested in capital assets, net of related debt		<u>2,930,142</u>
Restricted for:		
Capital projects		<u>289,902</u>
Debt service		
Unemployment compensation		
Other specific purposes		<u>2,465</u>
Unrestricted		<u>100,954</u>
Total net assets		<u>3,323,463</u>
Total liabilities and net assets	\$	<u>3,327,646</u>

The accompanying notes are an integral part of this financial statement.

Statement A

STATE OF LOUISIANA

Poverty Point Reservoir District

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED June 30, 2005**

OPERATING REVENUES	
Sales of commodities and services	\$ _____
Assessments	_____
Use of money and property	_____
Licenses, permits, and fees	_____ 475
Other	_____
Total operating revenues	_____ 475
OPERATING EXPENSES	
Cost of sales and services	_____
Administrative	_____ 75,184
Depreciation	_____ 19,608
Amortization	_____
Total operating expenses	_____ 94,792
Operating income(loss)	_____ (94,317)
NON-OPERATING REVENUES(EXPENSES)	
State appropriations	_____ 115,830
Intergovernmental revenues (expenses)	_____ 50,000
Taxes	_____
Use of money and property	_____ 1,811
Gain (loss) on disposal of fixed assets	_____
Federal grants	_____
Interest expense	_____
Other	_____ (38,002)
Total non-operating revenues(expenses)	_____ 129,639
Income(loss) before contributions and transfers	_____ 35,322
Capital contributions	_____
Transfers in	_____
Transfers out	_____
Change in net assets	_____ 35,322
Total net assets – beginning as restated	_____ 3,288,141
Total net assets – ending	\$ _____ 3,323,463

The accompanying notes are an integral part of this financial statement.

STATE OF LOUISIANA
Poverty Point Reservoir District
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED June 30, 2005

	<u>Program Revenues</u>				Net (Expense) Revenue and Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Entity	\$ <u>94,792</u>	\$ <u>475</u>	\$ <u>50,000</u>	\$ <u>115,830</u>	<u>71,513</u>
General revenues:					
Taxes					
State appropriations					
Grants and contributions not restricted to specific programs					
Interest					1,811
Miscellaneous					
Special items					(38,002)
Transfers					
Total general revenues, special items, and transfers					35,322
Change in net assets					
Net assets - beginning					3,288,141
Net assets - ending					\$ <u>3,323,463</u>

STATE OF LOUISIANA
Poverty Point Reservoir District
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED June 30, 2005

Cash flows from operating activities		
Cash received from customers	\$ <u>475</u>	
Cash payments to suppliers for goods and services	<u>(79,272)</u>	
Cash payments to employees for services	<u>(26,866)</u>	
Payments in lieu of taxes	<u> </u>	
Internal activity-payments to other funds	<u> </u>	
Claims paid to outsiders	<u> </u>	
Other operating revenues(expenses)	<u> </u>	
Net cash provided(used) by operating activities		<u>(105,663)</u>
Cash flows from non-capital financing activities		
State appropriations	<u>115,830</u>	
Proceeds from sale of bonds	<u> </u>	
Principal paid on bonds	<u> </u>	
Interest paid on bond maturities	<u> </u>	
Proceeds from issuance of notes payable	<u> </u>	
Principal paid on notes payable	<u> </u>	
Interest paid on notes payable	<u> </u>	
Operating grants received	<u>50,000</u>	
Other	<u>(30,852)</u>	
Transfers In	<u> </u>	
Transfers Out	<u> </u>	
Net cash provided(used) by non-capital financing activities		<u>134,978</u>
Cash flows from capital and related financing		
Proceeds from sale of bonds	<u> </u>	
Principal paid on bonds	<u> </u>	
Interest paid on bond maturities	<u> </u>	
Proceeds from issuance of notes payable	<u> </u>	
Principal paid on notes payable	<u> </u>	
Interest paid on notes payable	<u> </u>	
Acquisition/construction of capital assets	<u>(118,199)</u>	
Proceeds from sale of capital assets	<u> </u>	
Capital contributions	<u> </u>	
Other	<u> </u>	
Net cash provided(used) by capital and related financing activities		<u>(118,199)</u>
Cash flows from investing activities		
Purchases of investment securities	<u> </u>	
Proceeds from sale of investment securities	<u> </u>	
Interest and dividends earned on investment securities	<u>1,811</u>	
Net cash provided(used) by investing activities		<u>1,811</u>
Net increase(decrease) in cash and cash equivalents		<u>(87,073)</u>
Cash and cash equivalents at beginning of year		<u>426,140</u>
Cash and cash equivalents at end of year	\$	<u><u>339,067</u></u>

The accompanying notes are an integral part of this statement.

STATE OF LOUISIANA
Poverty Point Reservoir District
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED June 30, 2005

Reconciliation of operating income(loss) to net cash provided(used) by operating activities:

Operating income(loss)		\$ <u>(94,317)</u>
Adjustments to reconcile operating income(loss) to net cash		
Depreciation/amortization	<u>19,608</u>	
Provision for uncollectible accounts	<u> </u>	
Changes in assets and liabilities:		
(Increase)decrease in accounts receivable, net	<u>196</u>	
(Increase)decrease in due from other funds	<u> </u>	
(Increase)decrease in prepayments	<u>(53)</u>	
(Increase)decrease in inventories	<u> </u>	
(Increase)decrease in other assets	<u> </u>	
Increase(decrease) in accounts payable and accruals	<u>(31,097)</u>	
Increase(decrease) in accrued payroll and related benefits	<u> </u>	
Increase(decrease) in compensated absences payable	<u> </u>	
Increase(decrease) in due to other funds	<u> </u>	
Increase(decrease) in deferred revenues	<u> </u>	
Increase(decrease) in other liabilities	<u> </u>	
Net cash provided(used) by operating activities		\$ <u><u>(105,663)</u></u>

Schedule of noncash investing, capital, and financing activities:

Borrowing under capital lease	<u> </u>
Contributions of fixed assets	<u> </u>
Purchases of equipment on account	<u> </u>
Asset trade-ins	<u> </u>
Other (specify)	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
Total noncash investing, capital, and financing activities:	<u><u> </u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

**POVERTY POINT RESERVOIR DISTRICT
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005**

INTRODUCTION

The Poverty Point Reservoir District was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statute 38:3087. The following is a brief description of the operations of Poverty Point Reservoir District which includes the parishes of Richland, Madison, East Carroll and West Carroll in which the District is located. The district is created for the purpose of the development of the wealth and natural resources of the district by the conservation of soil and water for agricultural, recreational, commercial, industrial, and sanitary purposes. The creation and maintenance of a lake within the district shall be for such purposes. The board is composed of eight members appointed by the governor.

The oversight reporting entity is the State of Louisiana. The district is considered a component unit of the State of Louisiana because the State exercises oversight responsibility in that the governor appoints the board members and public service is rendered within the State's boundaries. The accompanying financial statements represent the activities of the Poverty Point Reservoir District of Louisiana and therefore are a part of the fund and account group structure of the general purpose financial statements of the State of Louisiana.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

The 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*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of July 1, 2001.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Poverty Point Reservoir District. 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. Fiduciary funds are not included in government-wide financial statements.

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 meetings 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. The District does not presently have indirect expenses and therefore none have been allocated in the Statement of Activities.

Restricted resources are used first to fund capital outlay expenditures.

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

B. Measurement Focus, Basis of Accounting, and 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. 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. Compensated absences and claims and judgments, are recorded only when payment is due.

The Poverty Point Reservoir District reports the following governmental funds:

General Fund

The General Fund is the general operating fund of the Poverty Point Reservoir District. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition, construction, or improvements of major capital facilities other than those not reported in other funds.

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. Internally dedicated resources are reported as general revenues rather than as program revenues.

C. Deposits and Investments

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

D. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental column in the government-wide financial statements. Capital assets are capitalized at historical cost. The Poverty Point Reservoir District maintains a threshold level of \$2,500 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, lake, and certain infrastructure assets, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Infrastructure assets	25-50 years
Land improvements	20-30 years
Buildings and building improvements	25-40 years
Furniture and fixtures	5-7 years
Vehicles	5 years
Equipment	5-7 years

E. Compensated Absences

The Poverty Point Reservoir District has the following policy on annual and sick leave:

Employees earn and accumulate annual and sick leave at various rates depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits.

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the General Fund when leave is actually taken. The cost of leave privileges applicable to general government operations not requiring current resources is recorded in the Statement of Net Assets.

F. Fund Equity

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.

G. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the Poverty Point Reservoir District, which are either unusual in nature or infrequent in occurrence.

The financial statements report a theft loss as an extraordinary item. The loss reported is the amount for the fiscal year ended June 30, 2005. A portion of the theft loss from prior years has been reported as a prior period adjustment to fund balance to the extent that capital assets retained by the District were impacted.

H. 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 and expenditures during the reporting period. Actual results could differ from those estimates.

The Reservoir District uses the direct write-off method of accounting for bad debts. Management believes that any allowance would be immaterial.

I. Reconciliations of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets. The following reconciles the fund balances of governmental funds to the government-wide statement of net assets.

Fund Balances - Total Governmental Funds	396,600
Compensated Absences	(3,279)
Capital Assets (Net)	<u>2,930,142</u>
Net Assets of Governmental Activities	<u>3,323,463</u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities. The following reconciles the net changes in fund balance-total governmental funds to the changes in net assets of governmental activities.

Net Change in Fund Balances - Total Government Funds		(63,125)
Capital Outlay	118,199	
Depreciation	(19,608)	
Compensated Absences	(144)	
Net Adjustment		<u>98,447</u>
Change in Net Assets of Governmental Activities		<u>35,322</u>

2. BUDGETING

The Poverty Point Reservoir District utilizes the following budgetary practices:

The District prepares its budget in accordance with Louisiana Revised Statute 39:1301. The budget is prepared on a modified accrual basis for the General Fund. The budget for the fiscal year ended June 30, 2005 was adopted in June 2004. All appropriations lapse at year-end, and any encumbrances outstanding at year-end in the governmental funds are included in the next year's budget with funds appropriated in that year to finance them. The District was not in compliance with the budgeted expenditures.

3. CASH AND CASH EQUIVALENTS

At June 30, 2005, the Poverty Point Reservoir District has cash and cash equivalents (book balances) totaling \$289,067 as follows:

Interest-bearing demand deposits	\$288,917
Other	<u>150</u>
Total	<u>289,067</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.

At June 30, 2005 the Poverty Point Reservoir District has \$290,684 in deposits (collected bank balances) as follows:

	Deposits in Bank Accounts			<u>Total</u>
	<u>Demand</u>	<u>Of</u>	<u>Other</u>	
	<u>Deposit</u>	<u>Deposit</u>	<u>(Describe)</u>	
Deposits in Bank Accounts per Balance Sheet	288,917	-	-	288,917
Bank Balances:				
a. Insured (FDIC) or collateralized with securities held by the entity or its agent in the entity's name	100,000	-	-	100,000
b. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name	-	-	-	-
c. Uncollateralized, including any securities held for the entity but not in the entity's name	<u>188,917</u>	<u>-</u>	<u>-</u>	<u>188,917</u>
Total Bank Balances	<u>290,684</u>	<u>-</u>	<u>-</u>	<u>290,684</u>

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

<u>Banking Institution</u>	<u>Program</u>	<u>Amount</u>
1. AmSouth Bank	General Fund	55,504
2. AmSouth Bank	Special Projects	197,677
3. AmSouth Bank	Special Projects	<u>37,503</u>
Total		<u>290,684</u>
Cash in State Treasury		<u>-</u>
Petty Cash		<u>150</u>

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 40, 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.

4. INVESTMENTS

At June 30, 2005, the Poverty Point Reservoir District has investments of (book balances) totaling \$50,000 as follows:

Certificate of Deposit \$50,000

These deposits are stated at cost, which approximates market and are secured by federal deposit insurance.

The bank balance of the certificate of deposit is \$50,000 held by Guaranty Bank as an investment of the General Fund.

5. DISAGGREGATION OF RECEIVABLE BALANCES

The receivables of \$55,972 at June 30, 2005 are as follows:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Note Receivable	-	55,900	55,900
Interest Receivable	<u>72</u>	<u>-</u>	<u>72</u>
Total	<u>72</u>	<u>55,900</u>	<u>55,972</u>

Management estimates that the note receivable is fully collectible.

Receivables at June 30, 2005 were as follows:

<u>Activity</u>	<u>Other Receivables</u>	<u>Total Receivables</u>
Receivables from Lot Sales	55,900	55,900
Interest	<u>72</u>	<u>72</u>
Total Receivables	<u>55,972</u>	<u>55,972</u>
Amounts not scheduled for collection during the subsequent year	<u>49,400</u>	<u>49,400</u>

6. INTERFUND RECEIVABLES/PAYABLES

There are no interfund receivables or payables at June 30, 2005.

7. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2005, for the primary government is as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Prior</u> <u>Period</u> <u>Adjustment</u>	<u>Ending</u> <u>Balance</u>
Governmental activities:					
Capital assets, not being depreciated					
Land	2,430,459	-	-	-	2,430,459
Total Capital Assets, not being depreciated	<u>2,430,459</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,430,459</u>
Capital Assets being depreciated					
Buildings	93,457	-	-	(2,308)	91,149
Machinery and Equipment	32,385	-	-	-	32,385
Infrastructure	<u>341,708</u>	<u>118,199</u>	<u>-</u>	<u>-</u>	<u>459,907</u>
Total Capital Assets being depreciated	<u>467,550</u>	<u>118,199</u>	<u>-</u>	<u>(2,308)</u>	<u>583,441</u>
Less Accumulated Depreciation for:					
Buildings	1,363	2,279	-	(33)	3,609
Machinery and Equipment	32,270	115	-	-	32,385
Infrastructure	<u>30,550</u>	<u>17,214</u>	<u>-</u>	<u>-</u>	<u>47,764</u>
Total Accumulated Depreciation	<u>64,183</u>	<u>19,608</u>	<u>-</u>	<u>(33)</u>	<u>83,758</u>
Total Capital Assets being depreciated, net	<u>403,367</u>	<u>98,591</u>	<u>-</u>	<u>-</u>	<u>499,683</u>
Total Capital Assets	<u>2,833,826</u>	<u>98,591</u>	<u>-</u>	<u>(2,275)</u>	<u>2,930,142</u>

Depreciation expense of \$19,608 for the year ended June 30, 2005 was charged to the following governmental functions:

General	-
Capital	19,608

8. INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS

There were no interfund transfers in the year ended June 30, 2005.

9. ACCOUNTS AND OTHER PAYABLES

The payables of \$904 at June 30, 2005 are as follows:

	General <u>Fund</u>	Capital Projects <u>Fund</u>	<u>Total</u>
Payroll Taxes Payable	344	-	344
Trade Accounts	<u>13</u>	<u>547</u>	<u>560</u>
Total	<u>357</u>	<u>547</u>	<u>904</u>

10. DEBT

The District has no short-term or capital lease obligations.

The long-term obligations consist of compensated absences. The following is a summary of the long-term obligation transactions for the year ended June 30, 2005:

	<u>Compensated Absences</u>
Long-term obligations at Beginning of Year	3,135
Additions	144
Deductions	-
Long-term obligations at End of Year	<u>3,279</u>

All of the obligations are considered to be long-term.

11. RETIREMENT SYSTEMS

Substantially all of the employees of the District are members of the La State Employees Retirement System (System), a cost sharing multiple-employer, defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees.

All full-time District employees are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service.

Vested employees are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, vested employees have the option of reduced benefits at any age with 20 years of service. The System also provides death and disability benefits. Benefits are established or amended by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608 or (800) 256-3000.

Members are required by state statute to contribute 7.5% of gross salary, and the District is required to contribute at an actuarially determined rate as required by R.S. 11:102. The employer contribution rate for the fiscal year ended June 30, 2005 increased from 15.8% to 17.8%. The District contributions to the System for the years ending June 30, 2005, 2004, 2003, and 2002, were \$3,810, \$3,433, \$4,386, and \$9,685, respectively, equal to the required contributions for each year.

12. OTHER POSTEMPLOYMENT BENEFITS

The Poverty Point Reservoir District provides no postemployment benefits.

13. RISK MANAGEMENT

The District is exposed to a variety of risks that may result in losses. These risks include possible loss from acts of God, injury to employees, property damage, or breach of contract. The District finances these potential losses through purchasing insurance from several commercial companies. The level of coverage has remained constant. The District is not a member of a risk pool. There have been no reductions in insurance coverage from prior year coverages for the year ended June 30, 2005. The District has not incurred any losses or made any settlement agreements.

14. CONTINGENT LIABILITIES AND LITIGATION

There are no pending litigations or claims against the District at June 30, 2005, which, if asserted, in the opinion of the District's legal counsel would have at least a reasonable probability of an unfavorable outcome or for which resolution would materially affect the financial statements.

As disclosed in Note 18, District Management is investigating some alleged fraudulent transactions involving cash disbursements. A loss contingency may result to the extent that illegal disbursements are determined. An estimate of this loss cannot reasonably be determined at this time.

15. COOPERATIVE ENDEAVOR

LRS 33:9022 defines cooperative endeavors as any form of economic development assistance between and among the state of Louisiana, its local governmental subdivisions, political corporations, public benefit corporations, the United States government or its agencies, or any public or private association, corporation, or individual. The term cooperative endeavor includes cooperative financing, cooperative development, or any form of cooperative economic development activity. The state of Louisiana has entered into cooperative endeavor agreements with certain entities aimed at developing the economy of the state. The liability outstanding as of June 30, 2005, by funding source, is as follows:

<u>Funding Source</u>	<u>Balance</u> <u>June 30, 2005</u>
Statutorily Dedicated Revenue	<u>-</u>

* State Liability from Capital Outlay Appropriations

16. PRIOR PERIOD ADJUSTMENTS

The following adjustments were made to restate beginning net assets for June 30, 2005.

Ending Net Assets July 1, 2004 as previously reported		3,296,266
Capital Assets Reduction	(2,275)	
Note Receivable Reduction	(5,850)	(8,125)
Beginning Net Assets July 1, 2004 as restated		<u>3,288,141</u>

17. COMPENSATION TO BOARD MEMBERS

The Board Members and compensation are as follows:

Mike Martin	-0-
Dr. Ed Eiland	-0-
David P. Doughty	-0-
Sylvia Armstrong	-0-
Mike Gammill	-0-
Brant Thompson	-0-
James Morse	-0-
Cleophas May	-0-

18. SUBSEQUENT EVENTS

Alleged fraudulent activity was discovered on August 18, 2005 as the Reservoir District prepared to complete required financial reports. Management responded immediately questioning the employee, securing the records of the agency and suspending employment. Notification was given to authorities immediately. The allegations involve unauthorized approvals of invoices and unapproved payments by checks and from petty cash. For the year ended June 30, 2005 the amount of the alleged fraud discovered is \$38,002. An additional amount of \$15,356 was identified as occurring after June 30, 2005 through August 18, 2005. An investigation is in progress by the Sheriff of Richland Parish.

Required Supplemental Information
(Part II)

POVERTY POINT RESERVOIR DISTRICT
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
GENERAL FUND
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	<u>2005</u>		<u>Variance with Final Budget</u>
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Intergovernmental	50,000	50,000	-
Interest	-	1,382	1,382
Other	-	475	475
Total Revenue	<u>50,000</u>	<u>51,857</u>	<u>1,857</u>
Expenditures:			
Current			
Automobile	1,000	74	926
Contingencies	50,000	-	50,000
Insurance	20,000	18,698	1,302
Miscellaneous	1,500	413	1,087
Office Maintenance	4,200	1,450	2,750
Office Supplies	1,600	1,873	(273)
Professional	5,800	10,907	(5,107)
Retirement	4,400	3,810	590
Salaries	23,000	22,728	272
Taxes	500	328	172
Travel	3,800	438	3,362
Utilities	12,000	5,652	6,348
Total Current	<u>127,800</u>	<u>66,371</u>	<u>61,429</u>
Excess (Deficiency) of Revenues over Expenditures	(77,800)	(14,514)	<u>63,286</u>
Other Financing Sources (Uses)			
Operating Transfers In	-	-	-
Operating Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Extraordinary Item			
Theft Loss	-	(8,758)	(8,758)
Net Change in Fund Balance	(77,800)	(23,272)	<u>54,528</u>
Fund Balance at Beginning of Year	<u>129,970</u>	<u>129,970</u>	<u>-</u>
Fund Balance at End of Year	<u>52,170</u>	<u>106,698</u>	<u>54,528</u>

The notes to the financial statements are an integral part of this statement.

Other Supplemental Schedules

**STATE OF LOUISIANA
POVERTY POINT RESERVOIR DISTRICT
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Name</u>	<u>Amount</u>
<u>Mike Martin</u>	\$ <u>0</u>
<u>Edward Eiland</u>	<u>0</u>
<u>Cleophas May</u>	<u>0</u>
<u>James Morse</u>	<u>0</u>
<u>Mike Gammill</u>	<u>0</u>
<u>David Doughty</u>	<u>0</u>
<u>Sylvia Armstrong</u>	<u>0</u>
<u>Brant Thompson</u>	<u>0</u>
<u> </u>	<u> </u>
	\$ <u><u>0</u></u>

SCHEDULE 1

**STATE OF LOUISIANA
POVERTY POINT RESERVOIR DISTRICT
SCHEDULE OF STATE FUNDING
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Description of Funding</u>	<u>Amount</u>
State Capital Outlay	115,830
State Grant Department of Transportation	<u>50,000</u>
Total	<u>165,830</u>

SCHEDULE 2

**STATE OF LOUISIANA
POVERTY POINT RESERVOIR DISTRICT**

COMPARISON FIGURES

	<u>2005</u>	<u>2004</u>	<u>Difference</u>	<u>Percentage Change</u>
1) Revenues	\$ 168,116	\$ 158,943	\$ -9,173	\$ 6%
Expenses	193,239	333,085	139,846	-42%
2) Capital assets	2,930,142	2,833,826	96,316	3%
Long-term debt	3,279	3,135	144	5%
Net Assets	3,323,463	3,296,266	27,197	1%
3)	<u>2005 Original Budget</u>	<u>2005 Final Budget</u>	<u>Difference</u>	<u>Percentage Change</u>
Revenues	\$ 50,000	\$ 50,000	\$ 0	\$ 0
Expenditures	127,800	127,800	0	0

OTHER REPORTS

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

Board of Commissioners
Poverty Point Reservoir District
Delhi, Louisiana

We have audited the basic financial statements of the Poverty Point Reservoir District, a component unit of the State of Louisiana reporting entity as of and for the year ended June 30, 2005 and have issued our report dated September 12, 2005.

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 Poverty Point Reservoir District's basic 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2005-05 and 2005-06.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Poverty Point Reservoir 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable

conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Poverty Point Reservoir District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-01, 2005-02, 2005-03, 2005-04, and 2005-05.

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 also considered to be material weaknesses. However of the reportable conditions described above, we consider items 2005-01, 2005-02, 2005-03, and 2005-04 to be material weaknesses.

This report is intended solely for the information and use of the Legislative Auditor of the State of Louisiana and the audit committee and Board of Commissioners of Poverty Point Reservoir District. However, this report is a matter of public record and is distributed by the Legislative Auditor as a public document in accordance with Louisiana Revised Statute 24:513.

Cochran Clark & Robinson

Cochran, Clark & Robinson
September 12, 2005

**INDEPENDENT AUDITORS' REPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

The following findings represent reportable conditions in the design or operation of internal control over financial reporting:

2005-01

Condition: An absence of appropriate segregation of duties consistent with control objectives over cash receipts and disbursements.

Cause: Small size of governmental entity and change in operations as the capital outlay construction project was completed left system in need of re-evaluation of job duties in regard to cash.

Effect: Unauthorized cash disbursement transactions occurred.

Recommendation: Establish additional controls over cash, such as a review of the bank statement by a Commissioner with knowledge of the current activities of the District.

Client Response: Bank statements will be mailed directly to a Commissioner that will examine it for reasonableness prior to the reconciliation process.

2005-02

Condition: An absence of appropriate reviews of system output such as monthly financial statements, detail general ledgers, and payroll check registers.

Cause: The accounting function was concentrated in the District's only employee. Financial reporting output was not reviewed by the Board.

Effect: Financial records did not reflect an accurate recording of the transactions as required to complete financial statements that represent management's assertions.

Recommendation: A Commissioner should review monthly the financial statements and other accounting journals and registers that record the accounting transactions.

Client Response: One or more Commissioners, on a monthly basis, will review financial statements.

(continued)

**INDEPENDENT AUDITORS' REPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

(continued)

2005-03

Condition: Evidence of intentional override of internal controls by employee to the detriment of the overall objectives of the system of controls over cash.

Cause: Source documentation indicates that employee initiated unauthorized transactions.

Effect: Disbursement of cash to employee by unauthorized checks and petty cash supported by unapproved invoices and receipts.

Recommendation: A Commissioner should approve the invoices to be paid each month and follow-up with a review of the bank activity.

Client Response: The Commission will maintain control of the checkbook and be responsible for approving and paying all bills.

2005-04

Condition: Evidence of failure to perform tasks that are part of internal controls. Bank reconciliations are not timely prepared. The accounts receivable subsidiary ledger is not reconciled to the general ledger.

Cause: Transactions were not recorded and input into the accounting system on a timely basis and resulting reconciliation schedules for the bank accounts and accounts receivable were not completed until the end of the year.

Effect: Cash activities were not recorded monthly and internal controls over the bank accounts were ineffective.

Recommendation: A change should be made to a new computer system and software in the next fiscal year. Cash and accounts receivable should be reconciled monthly by someone other than the person responsible for making deposits and writing checks.

Client Response: New accounting software, as well as outsourcing of the monthly bookkeeping duties will be utilized in the new fiscal year.

(continued)

**INDEPENDENT AUDITORS' REPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

(continued)

The following findings represent instances of noncompliance required to be reported.

2005-05

Criteria: Cash disbursements by check or cash should be made for goods and services authorized and purchased by the governmental unit and approved for payment by authorized agency management.

We performed the following additional procedures that resulted in this finding:

- 1) Inspected the bank statements and canceled checks for signatures, changes in amounts and bank clearance dates.
- 2) Compared cleared check payees and dates with the general ledger cash disbursement recorded.
- 3) Matched and inspected supporting documentation to the canceled checks.
- 4) Secured and reconciled the cut-off bank statements for checking accounts.
- 5) Made inquires of Commission President as needed.

Condition: We have concluded that illegal acts are likely to have occurred in the cash disbursement area by the Reservoir District's employee.

Cause: Intentional disregard and overriding of entity's internal controls by employee and internal control deficiencies identified above in Findings 2005-01 - 2005-04.

Effect: Unauthorized payments were identified during the year ended June 30, 2005 in the amount of \$38,002. These amounts have been recorded as a theft loss in the current year.

(continued)

**INDEPENDENT AUDITORS' REPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

(continued)

2005-06

Criteria: The original budget should be reviewed and amended by the Board of Commissioners.

Condition: The original budget was not amended and professional fees exceeded the original budget by percent.

Cause: Board was presented with inaccurate data for consideration in amending the budget.

Effect: Budget was not amended in accordance with the law.

Recommendation: The Board should consider and act to amend the budget as changes in budget line items become evident.

Client Response: The Board will consider its budget as needed and amend the budget as needed to reflect authorized changes.

OTHER REPORTS

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

Board of Commissioners
Poverty Point Reservoir District
Delhi, Louisiana

We have audited the basic financial statements of the Poverty Point Reservoir District, a component unit of the State of Louisiana reporting entity as of and for the year ended June 30, 2005 and have issued our report dated September 12, 2005.

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 Poverty Point Reservoir District's basic 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2005-05 and 2005-06.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Poverty Point Reservoir 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable

conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Poverty Point Reservoir District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-01, 2005-02, 2005-03, 2005-04, and 2005-05.

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 also considered to be material weaknesses. However of the reportable conditions described above, we consider items 2005-01, 2005-02, 2005-03, and 2005-04 to be material weaknesses.

This report is intended solely for the information and use of the Legislative Auditor of the State of Louisiana and the audit committee and Board of Commissioners of Poverty Point Reservoir District. However, this report is a matter of public record and is distributed by the Legislative Auditor as a public document in accordance with Louisiana Revised Statute 24:513.

Cochran Clark & Robinson

Cochran, Clark & Robinson
September 12, 2005

INDEPENDENT AUDITORS' REPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

The following findings represent reportable conditions in the design or operation of internal control over financial reporting:

2005-01

Condition: An absence of appropriate segregation of duties consistent with control objectives over cash receipts and disbursements.

Cause: Small size of governmental entity and change in operations as the capital outlay construction project was completed left system in need of re-evaluation of job duties in regard to cash.

Effect: Unauthorized cash disbursement transactions occurred.

Recommendation: Establish additional controls over cash, such as a review of the bank statement by a Commissioner with knowledge of the current activities of the District.

Client Response: Bank statements will be mailed directly to a Commissioner that will examine it for reasonableness prior to the reconciliation process.

2005-02

Condition: An absence of appropriate reviews of system output such as monthly financial statements, detail general ledgers, and payroll check registers.

Cause: The accounting function was concentrated in the District's only employee. Financial reporting output was not reviewed by the Board.

Effect: Financial records did not reflect an accurate recording of the transactions as required to complete financial statements that represent management's assertions.

Recommendation: A Commissioner should review monthly the financial statements and other accounting journals and registers that record the accounting transactions.

Client Response: One or more Commissioners, on a monthly basis, will review financial statements.

(continued)

**INDEPENDENT AUDITORS' REPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

(continued)

2005-03

Condition: Evidence of intentional override of internal controls by employee to the detriment of the overall objectives of the system of controls over cash.

Cause: Source documentation indicates that employee initiated unauthorized transactions.

Effect: Disbursement of cash to employee by unauthorized checks and petty cash supported by unapproved invoices and receipts.

Recommendation: A Commissioner should approve the invoices to be paid each month and follow-up with a review of the bank activity.

Client Response: The Commission will maintain control of the checkbook and be responsible for approving and paying all bills.

2005-04

Condition: Evidence of failure to perform tasks that are part of internal controls. Bank reconciliations are not timely prepared. The accounts receivable subsidiary ledger is not reconciled to the general ledger.

Cause: Transactions were not recorded and input into the accounting system on a timely basis and resulting reconciliation schedules for the bank accounts and accounts receivable were not completed until the end of the year.

Effect: Cash activities were not recorded monthly and internal controls over the bank accounts were ineffective.

Recommendation: A change should be made to a new computer system and software in the next fiscal year. Cash and accounts receivable should be reconciled monthly by someone other than the person responsible for making deposits and writing checks.

Client Response: New accounting software, as well as outsourcing of the monthly bookkeeping duties will be utilized in the new fiscal year.

(continued)

**INDEPENDENT AUDITORS' REPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

(continued)

The following findings represent instances of noncompliance required to be reported.

2005-05

Criteria: Cash disbursements by check or cash should be made for goods and services authorized and purchased by the governmental unit and approved for payment by authorized agency management.

We performed the following additional procedures that resulted in this finding:

- 1) Inspected the bank statements and canceled checks for signatures, changes in amounts and bank clearance dates.
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- 3) Matched and inspected supporting documentation to the canceled checks.
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Condition: We have concluded that illegal acts are likely to have occurred in the cash disbursement area by the Reservoir District's employee.

Cause: Intentional disregard and overriding of entity's internal controls by employee and internal control deficiencies identified above in Findings 2005-01 - 2005-04.

Effect: Unauthorized payments were identified during the year ended June 30, 2005 in the amount of \$38,002. These amounts have been recorded as a theft loss in the current year.

(continued)

**INDEPENDENT AUDITORS' REPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

(continued)

2005-06

Criteria: The original budget should be reviewed and amended by the Board of Commissioners.

Condition: The original budget was not amended and professional fees exceeded the original budget by percent.

Cause: Board was presented with inaccurate data for consideration in amending the budget.

Effect: Budget was not amended in accordance with the law.

Recommendation: The Board should consider and act to amend the budget as changes in budget line items become evident.

Client Response: The Board will consider its budget as needed and amend the budget as needed to reflect authorized changes.