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**BAYOU D'ARBONNE LAKE
WATERSHED DISTRICT**
Ruston, Louisiana

Annual Financial Statements
With Accountant's Report
As of and for the Two Years Ended
December 31, 2002

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 7/9/03

McRight & Associates
Certified Public Accountants

11817 Bricksome Ave., Suite E * Baton Rouge, Louisiana 70816

**BAYOU D'ARBONNE LAKE
WATERSHED DISTRICT**
Ruston, Louisiana

Annual Financial Statements
With Accountant's Report
As of and for the Two Years Ended
December 31, 2002

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**BAYOU D'ARBONNE LAKE
WATERSHED DISTRICT**
Ruston, Louisiana

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STATE OF LOUISIANA
Annual Financial Statements
Fiscal Year Ending December 31, 2002
BAYOU D'ARBONNE LAKE WATERSHED 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, PAUL BULLOCK, SEC/TREASURER (Name)
(Title) BAYOU D'ARBONNE LAKE WATERSHED DISTRICT who duly sworn, deposes and says, that the
financial statements herewith given present fairly the financial position of the BAYOU D'ARBONNE LAKE
WATERSHED DISTRICT at December 31, 2002 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 2 day of JUNE, 2003.

K. Paul Meek
Signature of Agency Official

William S. Carter, Jr.
NOTARY PUBLIC

WILLIAM S. CARTER, JR.
NOTARY PUBLIC
LINCOLN PARISH, LA
MY COMM IS FOR LIFE

McRight & Associates

11817 Bricksome Ave., Suite E
Baton Rouge, Louisiana 70816
(225) 292-2041

L. Dalton McRight, CPA, MBA

Jeanette R. McRight, CPA, MBA

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Bayou D'Arbonne Lake Watershed District

We have audited the accompanying basic financial statements of the Bayou D'Arbonne Lake Watershed District, a component unit of the State of Louisiana, as of and for the two years ended December 31, 2002, as listed in the table of contents. These basic financial statements are the responsibility of the 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, and the Louisiana Governmental Auditing Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Bayou D'Arbonne Lake Watershed District as of December 31, 2002, and the results of its operations for the two years 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 March 21, 2003, on our consideration of the Bayou D'Arbonne Lake Watershed 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 audits.

McRight & Associates
Certified Public Accountants
11817 Bricksome Ave., Suite E * Baton Rouge, Louisiana 70816

As described in Note 1 to the basic financial statements, the Bayou D'Arbonne Lake Watershed District adopted the provisions of Governmental Accounting Standards Board Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, as of January 1, 2001. This results in a change to the District's method of accounting for certain nonexchange revenues and change in the format and content of the basic financial statements.

Management's Discussion and Analysis and the other required supplementary information on pages 4-6, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our Audit was conducted for the purpose of forming an opinion on the Financial Statements that collectively comprise the Bayou D'Arbonne Lake Watershed District's Basic Financial Statements. The accompanying supplemental schedules and the Division of Administration Reporting Package listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Baton Rouge, Louisiana
March 21, 2003

**STATE OF LOUISIANA
BAYOU D'ARBONNE LAKE WATERSHED DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
AS OF DECEMBER 31, 2002**

The Management's Discussion and Analysis of the Bayou D'Arbonne Lake Watershed District's financial performance presents a narrative overview and analysis of the District's financial activities for the two years ended December 31, 2002. Please read this document in conjunction with the information contained in the Bayou D'Arbonne Lake Watershed District's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

The Bayou D'Arbonne Lake Watershed District's assets exceeded its liabilities at the close of fiscal year 2002 by \$161,366 which represents a 20% decrease from the last fiscal year. The net assets decreased by \$40,130 (or 20%)

The District's revenue decreased \$1,541 (or 5%) and expenses increase \$38,994.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following are the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.

- Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplementary Information (Other than MD&A)

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 supplemental information.

BASIC FINANCIAL STATEMENTS

The basic financial statements present information for the Bayou D'Arbonne Lake Watershed District as a whole, in a format designed to make the statement easier for the reader to understand. The statement of this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Fund Net Assets; the Statement of Activities; and the Statement of Cash Flows.

The Statement of Net Assets (page 8) presents the current and long term portion of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of Bayou D'Arbonne Lake Watershed District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets (page 9) presents information showing how the District's assets changed as a result of current years' operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future periods.

**STATE OF LOUISIANA
BAYOU D'ARBONNE LAKE WATERSHED DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
AS OF DECEMBER 31, 2002**

The Statement of Cash Flows (page 10) presents information showing how the District's cash changed as a result of current operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

STATEMENT OF NET ASSETS

	<u>12/31/01</u>	<u>12/31/02</u>
Current Assets	\$188,841	\$180,357
Capital Assets – Land	<u>14,970</u>	<u>14,970</u>
Total Assets	<u>203,811</u>	<u>195,327</u>
Total Liabilities – Accounts payable	<u>2,315</u>	<u>33,961</u>
Net Assets:		
Invested in capital assets, net of debt	14,970	14,970
Unrestricted	<u>186,526</u>	<u>146,396</u>
Total net assets	<u>201,496</u>	<u>161,366</u>

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
For the Years Ended**

	<u>12/31/01</u>	<u>12/31/02</u>
Operating revenues	None	None
Operating Expenses	<u>\$32,079</u>	<u>\$71,073</u>
Operating income (loss)	(32,079)	(71,073)
Non-operating revenues (expenses)	<u>32,484</u>	<u>30,943</u>
Net increase in net assets	<u>\$405</u>	<u>(\$40,130)</u>
	=====	=====

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At December 31, 2002, Bayou D'Arbonne Lake Watershed had \$14,970 invested in land. There were no major additions during the year.

**STATE OF LOUISIANA
BAYOU D'ARBONNE LAKE WATERSHED DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
AS OF DECEMBER 31, 2002**

DEBT

At December 31, 2002, Bayou D'Arbonne Lake Watershed had no debt outstanding.

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS

As a budgetary unit of the State of Louisiana the District is exempt from the requirements of the *Louisiana Local Government Budget Act*. However the Board of Commissioners does adopt a budget for funds expended from the District's operating account. This budget, along with the expenditures from the other accounts are reviewed by the board.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Bayou D'Arbonne Lake Watershed District's appointed officials considered the following factors when setting next year's budget:

- Revenues for 2003 are expected to be fairly unchanged.
- Operating expenses for 2003 will be approximately the same as 2002 operating expenses.

With the exception of the amount expended on special projects, the District expects that next year's operating results will approximate the year 2002.

**CONTACTING THE BAYOU D'ARBONNE LAKE WATERSHED
DISTRICT'S MANAGEMENT**

This financial report is designed to provide citizens and taxpayers with a general overview of the District's finances and to show the district's accountability for the money it receives. If you have questions about this report or need additional financial information contact Paul Bullock, secretary-Treasurer, P. O. Box 1613, Ruston, LA 71273.

BASIC FINANCIAL STATEMENTS

STATE OF LOUISIANA
 BAYOU D'ARBONNE LAKE WATERSHED DISTRICT (Component Unit)
 STATEMENT OF NET ASSETS
 AS OF DECEMBER 31, 2002

12/31/2002

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (Note C1)	\$41,575
Investments	133,793
Receivables (net of allowance for doubtful accounts) (Note U)	<u>4,989</u>
Total current assets	<u>180,357</u>
Land (Note D)	<u>14,970</u>
Total assets	<u>195,327</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accruals (Note V)	\$168
Deferred revenue	33,793

Total Liabilities	<u>33,961</u>

NET ASSETS

Invested in capital assets, net of related debt	14,970
Unrestricted	<u>146,396</u>
Total net assets	<u>161,366</u>

See accompanying notes and accountants' report

Statement A

STATE OF LOUISIANA
BAYOU D'ARBONNE LAKE WATERSHED DISTRICT (Component Unit)
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2001, AND DECEMBER 31, 2002

	<u>12/31/2001</u>	<u>12/31/2002</u>
OPERATING REVENUES	<u>NONE</u>	<u>NONE</u>
OPERATING EXPENSES		
Operating services	\$16,584	\$11,068
Supplies	272	-0-
Professional services	4,813	12,140
Special projects	<u>10,410</u>	<u>47,865</u>
Total operating expenses	<u>32,079</u>	<u>71,073</u>
Operating income (loss)	<u>(32,079)</u>	<u>(71,073)</u>
NON-OPERATING REVENUES		
Intergovernmental revenue	2,700	5,100
Taxes	22,003	22,364
Interest revenue	<u>7,781</u>	<u>3,479</u>
Total non-operating revenues	<u>32,484</u>	<u>30,943</u>
Changes in net assets	405	(40,130)
Total net assets – beginning (restated) (Note BB)	<u>201,091</u>	<u>201,496</u>
Total net assets – ending	201,496 =====	161,366 =====

See accompanying notes and accountants' report.

Statement B

STATE OF LOUISIANA
BAYOU D'ARBONNE LAKE WATERSHED DISTRICT (Component Unit)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2002

	12/31/01	12/31/02
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash paid to suppliers for goods and services	<u>(\$31,342)</u>	<u>(\$74,238)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Taxes	23,544	22,364
Operating grants received	<u>2,700</u>	<u>5,100</u>
Net cash provided by non-capital financing activities	<u>26,244</u>	<u>27,464</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	<u>7,781</u>	<u>3,479</u>
 Net increase (decrease) in cash and cash equivalent	 2,683	 (43,295)
Cash and cash equivalents at beginning of year	<u>82,187</u>	<u>84,870</u>
Cash and cash equivalents at end of year	84,870 =====	41,575 =====
 Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(\$32,079)	(\$71,073)
Adjustments to reconcile operating income (loss) to net Cash used by operating activities:		
Increase in accounts receivable		(1,018)
Increase (decrease) in accounts payable	<u>737</u>	<u>(2,147)</u>
Net cash used by operating activities	<u>(\$31,342)</u> =====	<u>(\$74,238)</u> =====

Schedule of noncash investing, capital, and financing activities:

N/A

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

Statement C

STATE OF LOUISIANA
BAYOU D'ARBONNE LAKE WATERSHED DISTRICT (Component Unit)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

INTRODUCTION

The Bayou D'Arbonne Lake Watershed District was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statute 38:2551. Its purpose is the conservation of soil and water, developing the natural resources and wealth of the district for sanitary, agricultural and recreational purposes. The following is a brief description of the operations of Bayou D'Arbonne Lake Watershed District:

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

The accompanying financial statements of Bayou D'Arbonne Lake Watershed District present information only as to the transactions of the programs of the Bayou D'Arbonne Lake Watershed District as authorized by Louisiana statutes and administrative regulation.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of Bayou D'Arbonne Lake Watershed District are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration – Office of Statewide Reporting and Accounting Policy as follows:

Revenue Recognition

Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

Expense Recognition

Expenses are recognized on the accrual basis; therefore, expenses are recognized in the period incurred, if measurable.

B. BUDGETARY ACCOUNTING

As a budgetary unit of the State of Louisiana, Bayou D'Arbonne Lake Watershed District is exempt from the requirements of the *Louisiana Local Government Budget Act*. However, the District does adopt a budget for the operating account for internal use.

STATE OF LOUISIANA
BAYOU D'ARBONNE LAKE WATERSHED DISTRICT (Component Unit)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

C. DEPOSITIS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

1. DEPOSITS WITH FINANCIAL INSTITUTIONS

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposit. Under state law the Bayou D'Arbonne Lake Watershed 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 and share certificate accounts of federally or state chartered credit unions.

For the purpose of the Statement of Cash Flows, all highly liquid investments (including restricted assets with a maturity of three months or less when purchased) are considered to be cash equivalent.

Deposits in bank accounts 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 pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The deposits at December 31, 2002, were secured as follows:

	Deposits in Bank Accounts		
	Cash	Certificate of Deposit	Total
	-----	-----	-----
Deposits in Bank Accounts per Bank Statements	\$41,575	\$133,793	\$175,368
	=====	=====	=====
Bank Balances:			
a. Insured (FDIC) or collateralized with securities Held by the entity or its agent in the entity's Name	41,575	133,793	175,368
b. Uncollateralized, including any securities Held for the entity, but not in the entity's name	-0-	-0-	-0-
	-----	-----	-----
Total Bank Balances	\$41,575	\$133,793	\$175,368
	=====	=====	=====

**STATE OF LOUISIANA
BAYOU D'ARBONNE LAKE WATERSHED DISTRICT (Component Unit)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

The following is a breakdown by banking institution and account of the balances shown above:

Banking Institution	Account	Amount
First national Bank	Checking	\$34,244
First National Bank	Cert. Of Deposit	100,000
Community Trust Bank	Checking	7,331
Community Trust Bank	Cert. Of Deposit	<u>33,793</u>
Total Bank Balances		\$175,368 =====

The uncollateralized securities fitting the description in (c) above were not significantly greater during the two years ended December 31, 2002.

2. INVESTMENTS

At December 31, 2002, the district's investments consist of two nonnegotiable certificates of deposit that are treated as a "deposit with financial institution" above.

D. FIXED ASSETS

Fixed assets used in the Special Purpose Government Engaged only in Business-Type Activities operations are included on the statement of net assets of the entity and are capitalized at cost. There were no changes to the fixed assets for the two years ending 12-31-02.

The district's fixed assets at December 31, 2002 consists only of land; therefore, there is no depreciation expense for the two years ended December 31, 2002. In addition, the district's infrastructure is estimated to total less than \$3,000,000 and therefore is not capitalized and depreciated. Infrastructure consists of flood-alert equipment, channel markings, boat launch ramps, and other improvements.

E. INVENTORIES

The districts does not have any material inventories at December 31, 2002.

F. RESTRICTED ASSETS

At December 31, 2002, there were no restricted assets to be reported.

G. COMPENSATED ABSENCES

The district does not have any employees.

H. RETIREMENT SYSTEM

The district does not have any employees.

I. POST RETIREMENT HEALTH CARE AND BENEFITS

The district does not have any employees.

**STATE OF LOUISIANA
BAYOU D'ARBONNE LAKE WATERSHED DISTRICT (Component Unit)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

J. LEASES

At December 31, 2002 the district did not have any leases outstanding.

K. DEBT SERVICE REQUIREMENTS

The district did not have any outstanding debt at December 31, 2002.

L. LITIGATION

1. The Bayou D'Arbonne Watershed District is a defendant in litigation seeking damages as follows:

Date of Action	Description of Litigation	Primary Attorney	Damages Claimed	Insurance Coverage
Prior to January 1, 1997	Suit filed by widow of lake drowning victim	LA. Attorney General	Unspecified	Unknown
June 1992	Claim of damages resulting from boating accident	LA. Attorney General	Unspecified	Unknown
November 2001	Claim of damages resulting from drowning near spillway	LA. Attorney General	Unspecified	Unknown

The Bayou D'Arbonne Lake Watershed District's legal advisor is unable to estimate the effect on the financial statements of potential claims not covered by insurance.

2. No costs resulting from claims and litigation were incurred in the current year.

M. RELATED PARTY TRANSACTIONS

There are no related party transaction to be reported during the period under review.

N. ACCOUNTING CHANGES

Accounting changes made during the audit period involve a change in accounting principle due to the implementation of GASB Statement No. 34, *Basic Financial statements and Management's Discussion and Analysis – for State and Local Governments*. Under this statement, all component units of the State of Louisiana are to be reported as *Special-purpose Governments Engaged Only in Business-Type Activities (BTA)*. As a BTA, Bayou D'Arbonne Lake Watershed District is reported as an enterprise fund. Prior to implementation of GASB No. 34, the financial positions and results of operations of the Bayou D'Arbonne Lake Watershed District were reported in a governmental fund type and account group on the modified accrual basis of accounting. The operations of an enterprise fund are accounted for on the accrual basis and fixed assets are included on the statement of net assets rather than in the general fixed asset account group.

**STATE OF LOUISIANA
 BAYOU D'ARBONNE LAKE WATERSHED DISTRICT (Component Unit)
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2002**

O. IN-KIND CONTRIBUTIONS

At December 31, 2002, the district did not have any reportable in-kind contributions.

P. DEFEASED ISSUES

None.

Q. COOPERATIVE ENDEAVORS

None.

R. GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS)

None.

S. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISION

The district was not in violation of any contractual provisions at December 31, 2002.

T. SHORT-TERM DEBT

The District did not have any short term debt at December 31, 2002.

U. DISAGGREGATION OF RECEIVABLE BALANCES

Receivables at December 31, 2002, were as follows:

Activity	Taxes	Total
Operations	\$4,989 =====	\$4,989 =====

V. DISAGGREGATION OF PAYABLE BALANCES

Payables at December 31, 2002, were as follows:

Activity	Vendors	Total
Operations	\$168 =====	\$168 =====

**STATE OF LOUISIANA
 BAYOU D'ARBONNE LAKE WATERSHED DISTRICT (Component Unit)
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2002**

W. SUBSEQUENT EVENTS

There were no events occurring between the December 31, 2002 and the date of the report.

X. SEGMENT INFORMATION

The district does not have any reportable segments.

Y. DUE TO/FROM AND TRANSFERS

During the period under audit there were not due to/from transactions.

Z. LIABILITIES PAYABLE FROM RESTRICTED ASSETS

None.

AA. SPECIAL PROJECTS

During the year 2002 the amount expended on special projects exceeded the prior year by approximately \$37,455. This was mainly due to the District entering into contracts to remove under water stumps in Lake D'Arbonne.

BB. PRIOR-YEAR RESTATEMENT OF NET ASSETS

The following adjustments were made to restate beginning net assets for December 31, 2000:

FUND BALANCE JANUARY 1, 2001 PREVIOUSLY REPORTED	ADJUSTMENT + OR (-)	BEGINNING NET ASSETS JANUARY 1, 2001 AS RESTATED
\$186,121	\$ 14,970	\$201,091

STATE OF LOUISIANA
BAYOU D'ARBONNE LAKE WATERSHED DISTRICT (Component Unit)

Supplemental Information

STATE OF LOUISIANA
BAYOU D'ARBONNE LAKE WATERSHED DISTRICT(Component Unit)
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
FOR THE TWO YEARS ENDED DECEMBER 31, 2002

<u>MEMBER</u>	<u>PER DIEM</u>
Lawrence Hill	
Trott Hunt – President	
Bill Roark – Vice President	
Paul Bullock – Sect./Treasurer	
Ronny Graham	
Steve Cagle	
Larry Turner	

TOTAL	NONE =====

Per Louisiana revised Statute 38:2555 the members of the Board of Commissioners shall receive no compensation for their services.

McRight & Associates

11817 Bricksome Ave., Suite E
Baton Rouge, Louisiana 70816
(225) 292-2041

L. Dalton McRight, CPA, MBA

Jeanette R. McRight, CPA, MBA

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
Bayou D'Arbonne Lake Watershed District

We have audited the basic financial statements of the Bayou D'Arbonne Lake Watershed District, a component unit of the State of Louisiana, as of and for the two years ended December 31, 2002, and have issued our report thereon dated March 21, 2003. 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 and the Louisiana Auditing Guide.

Compliance

As part of obtaining reasonable assurance about whether the Bayou D'Arbonne Lake Watershed District's basic purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instance of noncompliance that is required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bayou D'Arbonne Lake Watershed District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weakness.

McRight & Associates
Baton Rouge, Louisiana

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

McRight & Associates

MCRIGHT & ASSOCIATES, CPAS

March 21, 2003

STATE OF LOUISIANA
BAYOU D'ARBONNE LAKE WATERSHED DISTRICT (Component Unit)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AS OF AND FOR THE TWO YEARS ENDED DECEMBER 31, 2002

There were no prior year audit findings.

**STATE OF LOUISIANA
BAYOU D'ARBONNE LAKE WATERSHED DISTRICT (Component Unit)
CORRECTIVE ACTION PLAN
FOR CURRENT YEAR FINDINGS
AS OF AND FOR THE TWO YEARS ENDED DECEMBER 31, 2002**

There were no current period findings.

DIVISION OF ADMINISTRATION
REPORTING PACKAGE

**BAYOU D'ARBONNE LAKE
WATERSHED DISTRICT**
Ruston, Louisiana

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BASIC FINANCIAL STATEMENTS

**STATE OF LOUISIANA
BAYOU D'ARBONNE LAKE WATERSHED DISTRICT (Component Unit)
STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2002**

12/31/2002

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (Note C1)	\$41,575
Investments	133,793
Receivables (net of allowance for doubtful accounts) (Note U)	<u>4,989</u>
Total current assets	<u>180,357</u>
Property, plant, and equipment (net of depreciation) (Note D)	<u>14,970</u>
Total assets	<u>\$195,327</u> =====

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accruals (Note V)	\$168
Deferred revenue	<u>33,793</u>
Total Liabilities	<u>33,961</u>

NET ASSETS

Invested in capital assets, net of related debt	14,970
Unrestricted	<u>146,396</u>
Total net assets	<u>161,366</u>
Total liabilities and net assets	<u>\$195,327</u> =====

See accompanying notes and accountants' report

Statement A

STATE OF LOUISIANA
BAYOU D'ARBONNE LAKE WATERSHED DISTRICT (Component Unit)
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>12/31/2002</u>
OPERATING REVENUES	<u>NONE</u>
OPERATING EXPENSES	
Operating services	\$11,068
Supplies	-0-
Professional services	12,140
Other	<u>47,865</u>
Total operating expenses	<u>71,073</u>
Operating income (loss)	<u>(71,073)</u>
NON-OPERATING REVENUES	
Intergovernmental revenue	5,100
Taxes	22,364
Interest revenue	<u>3,479</u>
Total non-operating revenues	<u>30,943</u>
Changes in net assets	(40,130)
Total net assets – beginning	<u>201,496</u>
Total net assets – ending	161,366 =====

See accompanying notes and accountants' report.

Statement B

STATE OF LOUISIANA
BAYOU D'ARBONNE LAKE WATERSHED DISTRICT (Component Unit)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue Changes in Net Assets</u>
COMPONENT UNIT:			
Bayou D'Arbonne Lake Watershed District	<u>(\$71,073)</u>	<u>NONE</u>	<u>(\$71,073)</u>
General revenues:			
Taxes			22,364
Grants and contributions not Restricted to specific programs			5,100
Interest			<u>3,479</u>
Total general revenues			<u>30,943</u>
Change in net assets			(40,130)
Net assets – beginning			<u>201,496</u>
Net assets – ending			161,366 =====

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

Statement C

STATE OF LOUISIANA
BAYOU D'ARBONNE LAKE WATERSHED DISTRICT (Component Unit)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2002

	12/31/02
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash paid to suppliers for goods and services	<u>(\$74,238)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Taxes	22,364
Operating grants received	<u>5,100</u>
Net cash provided by non-capital financing activities	<u>27,464</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	<u>3,479</u>
 Net increase (decrease) in cash and cash equivalent	 (43,295)
Cash and cash equivalents at beginning of year	<u>84,870</u>
Cash and cash equivalents at end of year	41,575 =====
 Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	(\$71,073)
Adjustments to reconcile operating income (loss) to net Cash used by operating activities:	
Increase in accounts receivable	(1,018)
Increase (decrease) in accounts payable	<u>(2,147)</u>
Net cash used by operating activities	(\$74,238) =====

Schedule of noncash investing, capital, and financing activities:

N/A

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

Statement D

STATE OF LOUISIANA
BAYOU D'ARBONNE LAKE WATERSHED DISTRICT (Component Unit)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

INTRODUCTION

The Bayou D'Arbonne Lake Watershed District was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statute 38:2551. The following is a brief description of the operations of Bayou D'Arbonne Lake Watershed District:

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

The accompanying financial statements of Bayou D'Arbonne Lake Watershed District present information only as to the transactions of the programs of the Bayou D'Arbonne Lake Watershed District as authorized by Louisiana statutes and administrative regulation.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of Bayou D'Arbonne Lake Watershed District are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration – Office of Statewide Reporting and Accounting Policy as follows:

Revenue Recognition

Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

Expense Recognition

Expenses are recognized on the accrual basis; therefore, expenses are recognized in the period incurred, if measurable.

B. BUDGETARY ACCOUNTING

As a budgetary unit of the State of Louisiana, Bayou D'Arbonne Lake Watershed District is exempt from the requirements of the *Louisiana Local Government Budget Act*. However, the District does adopt a budget for the operating account for internal use.

STATE OF LOUISIANA
BAYOU D'ARBONNE LAKE WATERSHED DISTRICT (Component Unit)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

C. DEPOSITIS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

1. DEPOSITS WITH FINANCIAL INSTITUTIONS

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposit. Under state law the Bayou D'Arbonne Lake watershed 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 and share certificate accounts of federally or state chartered credit unions.

For the purpose of the Statement of Cash Flows, all highly liquid investments (including restricted assets with a maturity of three months or less when purchased) are considered to be cash equivalent.

Deposits in bank accounts 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 pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The deposits at December 31, 2002, were secured as follows:

	Deposits in Bank Accounts		
	Cash	Certificate of Deposit	Total
	-----	-----	-----
Deposits in Bank Accounts per Bank Statements	\$41,575	\$133,793	\$175,368
	=====	=====	=====
Bank Balances:			
a. Insured (FDIC) or collateralized with securities Held by the entity or its agent in the entity's Name	41,575	133,793	175,368
b. Uncollateralized, including any securities Held for the entity, but not in the entity's name	-0-	-0-	-0-
	-----	-----	-----
Total Bank Balances	\$41,575	\$133,793	\$175,368
	=====	=====	=====

STATE OF LOUISIANA
BAYOU D'ARBONNE LAKE WATERSHED DISTRICT (Component Unit)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

The following is a breakdown by banking institution and account of the balances shown above:

Banking Institution	Account	Amount
First national Bank	Checking	\$34,244
First National Bank	Cert. Of Deposit	100,000
Community Trust Bank	Checking	7,331
Community Trust Bank .	Cert. Of Deposit	<u>33,793</u>
Total Bank Balances		\$175,368 =====

The uncollateralized securities fitting the description in [c] above were not significantly greater during the two years ended December 31, 2002.

2. INVESTMENTS

At December 31, 2002, the district's investments consist of two nonnegotiable certificates of deposit that are treated as a "deposit with financial institution" above.

D. FIXED ASSETS

Fixed assets used in the Special Purpose Government Engaged only in Business-Type Activities operations are included on the statement of net assets of the entity and are capitalized at cost.

The district's fixed assets at December 31, 2002 consists only of land; therefore, there is no depreciation expense for the year ended December 31, 2002. In addition, the district's infrastructure is estimated to total less than \$3,000,000 and therefore is not capitalized and depreciated. Infrastructure consists of flood-alert equipment, channel markings, boat launch ramps, and other improvements.

E. INVENTORIES

The districts does not have any material inventories at December 31, 2002.

F. RESTRICTED ASSETS

At December 31, 2002, there were no restricted assets to be reported.

G. COMPENSATED ABSENCES

The district does not have any employees.

H. RETIREMENT SYSTEM

The district does not have any employees.

I. POST RETIREMENT HEALTH CARE AND BENEFITS

The district does not have any employees.

STATE OF LOUISIANA
BAYOU D'ARBONNE LAKE WATERSHED DISTRICT (Component Unit)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

J. LEASES

At December 31, 2002 the district did not have any leases outstanding.

K. DEBT SERVICE REQUIREMENTS

The district did not have any outstanding debt at December 31, 2002.

L. LITIGATION

1. The Bayou D'Arbonne Watershed District is a defendant in litigation seeking damages as follows:

Date of Action	Description of Litigation	Primary Attorney	Damages Claimed	Insurance Coverage
Prior to January 1, 1997	Suit filed by widow of lake drowning victim	LA. Attorney General	Unspecified	Unknown
June 1992	Claim of damages resulting from boating accident	LA. Attorney General	Unspecified	Unknown
November 2001	Claim of damages resulting from drowning near spillway	LA. Attorney General	Unspecified	Unknown

The Bayou D'Arbonne Lake Watershed District's legal advisor is unable to estimate the effect on the financial statements of potential claims not covered by insurance.

2. No costs resulting from claims and litigation were incurred in the current year.

M. RELATED PARTY TRANSACTIONS

There are no related party transaction to be reported during the period under review.

N. ACCOUNTING CHANGES

Accounting changes made during the audit period involve a change in accounting principle due to the implementation of GASB Statement No. 34, *Basic Financial statements and Management's Discussion and Analysis – for State and Local Governments*. Under this statement, all component units of the State of Louisiana are to be reported as *Special-purpose Governments Engaged Only in Business-Type Activities (BTA)*. As a BTA, Bayou D'Arbonne Lake Watershed District is reported as an enterprise fund. Prior to implementation of GASB No. 34, the financial positions and results of operations of the Bayou D'Arbonne Lake Watershed District were reported in a governmental fund type and account group on the modified accrual basis of accounting. The operations of an enterprise fund are accounted for on the accrual basis and fixed assets are included on the statement of net assets rather than in the general fixed asset account group.

**STATE OF LOUISIANA
 BAYOU D'ARBONNE LAKE WATERSHED DISTRICT (Component Unit)
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2002**

O. IN-KIND CONTRIBUTIONS

At December 31, 2002, the district did not have any reportable in-kind contributions.

P. DEFEASED ISSUES

None.

Q. COOPERATIVE ENDEAVORS

None.

R. GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS)

None.

S. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISION

The district was not in violation of any contractual provisions at December 31, 2002.

T. SHORT-TERM DEBT

The District did not have any short term debt at December 31, 2002.

U. DISAGGREGATION OF RECEIVABLE BALANCES

Receivables at December 31, 2002, were as follows:

Activity	Taxes	Total
Operations	\$4,989	\$4,989
	=====	=====

V. DISAGGREGATION OF PAYABLE BALANCES

Payables at December 31, 2002, were as follows:

Activity	Vendors	Total
Operations	\$168	\$168
	=====	=====

STATE OF LOUISIANA
BAYOU D'ARBONNE LAKE WATERSHED DISTRICT (Component Unit)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

W. SUBSEQUENT EVENTS

There were no events occurring between the December 31, 2002 and the date of the report.

X. SEGMENT INFORMATION

The district does not have any reportable segments.

Y. DUE TO/FROM AND TRANSFERS

During the period under audit there were not due to/from transactions.

Z. LIABILITIES PAYABLE FROM RESTRICTED ASSETS

None.

**STATE OF LOUISIANA
BAYOU D'ARBONNE LAKE WATERSHED DISTRICT)Component Unit)**

Required Supplemental Information

STATE OF LOUISIANA
BAYOU D'ARBONNE LAKE WATERSHED DISTRICT (Component Unit)
SCHEDULE OF PER DIEM
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2002

<u>MEMBER</u>	<u>PER DIEM</u>
Lawrence Hill	
Trott Hunt – President	
Bill Roark – Vice President	
Paul Bullock – Sect./Treasurer	
Ronny Graham	
Steve Cagle	
Larry Turner	

TOTAL	NONE =====

Per Louisiana revised Statute 38:2555 the members of the Board of Commissioners shall receive no compensation for their services.

**STATE OF LOUISIANA
BAYOU D'ABONNE LAKE WATERSHED DISTRICT (COMPONENT UNIT)
SCHEDULE OF STATE FUNDING
FOR THE YEAR ENDED DECEMBER 31, 2002**

NON-APPLICABLE (N/A)

SCHEDULE 2

**STATE OF LOUISIANA
BAYOU D'ARBONE LAKE WATERSHED DISTRICT (COMPONENT UNIT)
SEGMENT INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2002**

NON-APPLICABLE (N/A)

SCHEDULE 3

STATE OF LOUISIANA
BAYOU D'ARBONNE LAKE WATERSHED DISTRICT (Component Unit)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2002

There were no prior year audit findings.

SCHEDULE 4

STATE OF LOUISIANA
BAYOU D'ARBONNE LAKE WATERSHED DISTRICT (Component Unit)
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2002

There were no current period findings.

SCHEDULE 5