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**SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH COUNCIL**
Paradis, Louisiana

**Basic Financial Statements
With Required Supplemental Information
And Independent Auditor's Reports**

As of and for the Year Ended December 31, 2010

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 6/8/11



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**SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana**

**Basic Financial Statements
With Supplemental Information Schedules
and Independent Auditor's Report**

As of and for the year ended December 31, 2010

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SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana

Basic Financial Statements
With Supplemental Information Schedules
and Independent Auditor's Report

As of and for the year ended December 31, 2010

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Sunset Drainage District
St. Charles Parish
Paradis, Louisiana

We have audited the accompanying financial statements of the governmental activities and the major fund of Sunset Drainage District (the District), component unit of St. Charles Parish, as of and for the year ended December 31, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

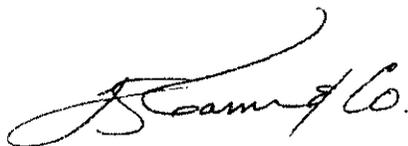
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Sunset Drainage District, as of December 31, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2011, on our consideration of Sunset Drainage District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 10 and page 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The Schedule of Compensation Paid to Board Members is presented for purposes of additional analysis and is not a required part of the basic financial statements. This Schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Thibodaux, Louisiana
May 16, 2011

Required Supplemental Information
(Part 1 of 2)

SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana

Management's Discussion and Analysis
For the year ended December 31, 2010

Our discussion and analysis of the Sunset Drainage District's (hereafter referred to as the District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2010.

FINANCIAL HIGHLIGHTS

- Based upon the operation of 2010, the District's net assets increased by \$17,395 and resulted in ending net assets of \$774,691.
- Cash and investments at the end of the year increased by \$20,641 from the prior year.

USING THIS ANNUAL REPORT

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities found on pages 11 and 12 provide information about the financial activities of the District and illustrate a longer-term view of the District's finances. Fund financial statements start on page 13. For governmental-type activities, these statements illustrate how these services were financed in the short-term and what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide sections of the statements by providing information about the District's significant funds.

A. REPORTING ON THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

1. The Statement of Net Assets and the Statement of Activities

The government-wide financial statements present financial information for all activities of the District from an economic resource measurement focus using the accrual basis of accounting. They present governmental activities, such as general government, separately from business-type activities. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and the changes. These net assets, the difference between the assets and the liabilities, are one way

**SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH**
Paradis, Louisiana

Management's Discussion and Analysis
For the year ended December 31, 2010

to measure the District's financial position or financial health. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating.

B. REPORTING ON THE DISTRICT'S MOST SIGNIFICANT FUNDS

1. Fund Financial Statements

The fund financial statements provide detailed information about the District's governmental fund. All of the District's expenditures are reported in its governmental fund, which focus on how money flows into and out of the fund and the balance left at year-end that is available for spending. This fund is reported using the modified accrual method, which measures cash and all other financial assets that could be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's general operations and the expense paid from the fund. The information in the governmental fund helps determine if there are more or less financial resources to finance future District expenditures. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental fund in reconciliations on pages 15 and 16.

SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana

Management's Discussion and Analysis
For the year ended December 31, 2010

ANALYSIS OF THE DISTRICT USING GOVERNMENT-WIDE FINANCIAL STATEMENTS

The following amounts reflect condensed information on the District's net assets:

	2010	2009	Difference
Assets			
Current assets	\$ 300,816	\$ 286,663	\$ 14,153
Capital assets, net of depreciation	479,319	516,680	(37,361)
Total assets	780,135	803,343	(23,208)
Liabilities			
Current liabilities	5,444	46,047	(40,603)
Total liabilities	5,444	46,047	(40,603)
Net Assets			
Investment in capital assets, net of depr	479,319	516,680	(37,361)
Unrestricted	295,372	240,616	54,756
Total net assets	\$ 774,691	\$ 757,296	\$ 17,395

- Current assets for the year increased by \$14,153 or 5%. This was primarily due to an increase in cash for the year of \$20,641 and a decrease in IRS refund receivable of \$4,878.
- At the end of the year, the District had capital assets, net of accumulated depreciation in the amount of \$479,319. This was comprised of \$251,728 in nondepreciable land, \$12,370 in nondepreciable deposit on equipment, \$1,764,968 in depreciable capital assets and \$1,549,747 in accumulated depreciation. The District disposed of \$22,500 of capital assets in 2010. The deposit of \$12,370 is for the building of gears for Pump #2. The remaining balance will be paid in May of 2011, when the gears are expected to be complete and placed in service.

**SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH**
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Management's Discussion and Analysis
For the year ended December 31, 2010

- Total liabilities at the end of the year were \$5,444. This amount was \$40,603 less than at the end of 2009. This is primarily attributable to prior year purchase of assets of \$27,856 and fuel charges of \$8,657 invoiced to the district at 2009 year end, and paid in 2010; reflected in accounts payable.
- Based upon the operation of 2010, the District's net assets increased by \$17,395 and resulted in ending net assets of \$774,691.

The following table illustrates the revenues and expenses which generated the increase in net assets for the fiscal year.

	2010	2009	Increase (Decrease)
Revenue			
General Revenue:			
Maintenance taxes	\$ 203,989	\$ 204,214	\$ (225)
St. Charles Parish Council grant	298,218	253,948	44,270
Oil & gas royalties & leases	19,273	28,591	(9,318)
Interest	303	68	235
Total revenue	521,783	486,821	34,962
Expenses			
Operating and maintaining drainage	504,388	472,124	32,264
Total expenses	504,388	472,124	(32,264)
Change in net assets	17,395	14,697	2,698
Net assets, beginning of the year	757,296	742,599	14,697
Net assets, end of the year	\$ 774,691	\$ 757,296	\$ 17,395

- Total revenue for the year was \$521,783. This amount was \$34,962 or 7% higher than last year. This is primarily attributable to an increase in parish funding in 2010.

SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
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Management's Discussion and Analysis
For the year ended December 31, 2010

- Total expenses for the year were \$504,388. This amount was \$32,264 or 7% higher than last year. While several of the expenditures increased slightly, the largest expenditure increase was Equipment repair expense which increased by \$40,118. This increase is a result of several unsuccessful repair attempts to the gears on Pump #2; which ultimately, the district decided to have rebuilt. The rebuilt gears will be reflected as an asset in 2011; when they are paid in full and place in service.

GOVERNMENTAL FUND

The District uses funds to help control and manage money for particular purposes. At the completion of the year, the District's governmental fund reported a fund balance of \$119,994. For the year, the District's fund balance increased by \$54,769.

The District's total revenues were \$493,246. This amount is 7% higher than last year's revenue. This was primarily attributable to a \$44,270 current year increase in parish council revenue.

For the year, the District had excess of revenues and over expenditures in the amount of \$54,769.

CAPITAL ASSETS AND LONG-TERM DEBT

During the year, the District had no capital asset purchases. The district has an addition of nondepreciable assets of \$12,370, for the deposit paid on the rebuilding of new pump gears. A total of \$22,500 in equipment was disposed of in the current year. These disposals resulted in a loss of \$24. Depreciation expense for the year was \$49,707. At year-end, the total capital assets, net of accumulated depreciation, were \$479,320.

There was no long-term debt activity during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget was amended by year-end to bring it more in line with the actual activity. A budget to actual comparison schedule can be found on page 29.

**SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana**

Management's Discussion and Analysis
For the year ended December 31, 2010

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to Mr. L.J. Frickey, Secretary/Treasurer, 152 Bayou Estates Drive, Des Allemands, Louisiana 70030.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- Remaining balance due on new gears for Pump #2 of \$12,340. Gears to be received and placed in service.
- The proposed 2011 budget shows a 3% salary increase.

CLOSING COMMENTS

The District continues to closely monitor the use of its funds to ensure that the funds are spent wisely. We are very proud of the progress that has been made throughout the parish in providing drainage to all our citizens.

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

**SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana**

**Statement of Net Assets
December 31, 2010**

	<u>Governmental Activites</u>
ASSETS	
Current assets	
Cash	\$ 116,412
Receivables:	
Maintenance taxes	175,378
IRS refund receivable	<u>9,026</u>
Total current assets	<u>300,816</u>
Fixed assets	
Capital assets, net	<u>479,319</u>
Total fixed assets	<u>479,319</u>
Total assets	<u>780,135</u>
LIABILITIES	
Current liabilities	
Accounts payable	1,758
Payroll withholdings payable	1,353
Accrued wages payable	<u>2,333</u>
Total current liabilities	<u>5,444</u>
Total liabilities	<u>5,444</u>
NET ASSETS	
Investment in capital assets, net of related debt	479,319
Unrestricted	<u>295,372</u>
Total net assets	<u>\$ 774,691</u>

The accompanying notes are an integral part of this statement.

**SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana**

**Statement of Activities
For the Year Ended December 31, 2010**

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Total</u>
Expenses:				
Operating and maintaining drainage:				
Advertising	\$ 24			\$ 24
Contract labor	39,690			39,690
Equipment repair	78,151			78,151
Fuel	18,598			18,598
Insurance	47,984			47,984
Legal & accounting	17,897			17,897
Maintenance tax expenditures	28,550			28,550
Material & supplies	25,231			25,231
Miscellaneous	2,285			2,285
Office supplies	758			758
Per diem	3,965			3,965
Salaries	144,127			144,127
Secretary/Treasurer	3,000			3,000
Taxes - payroll	10,910			10,910
SIMPLE expense	4,710			4,710
Employee health ins expense	18,619			18,619
Telephone	3,520			3,520
Utilities	6,638			6,638
Depreciation expense	49,707			49,707
Loss on disposal of assets	24			24
Total governmental activities	\$ 504,388	\$ -	\$ -	\$ 504,388

General Revenues

Maintenance taxes	\$ 203,989
St. Charles Parish Council grant	298,218
Oil & gas royalties & leases	19,273
Interest	303

Total general revenues 521,783

Change in net assets 17,395

Net assets:

Beginning of the year 757,296

End of the year \$ 774,691

The accompanying notes are an integral part of this statement.

BASIC FINANCIAL STATEMENTS

Fund Financial Statements

**SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana**

**Balance Sheet - Governmental Fund
December 31, 2010**

	<u>General Fund</u>
ASSETS	
Cash	\$ 116,412
Receivables:	
Maintenance taxes	203,928
IRS refund receivable	<u>9,026</u>
Total assets	<u>\$ 329,366</u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 1,758
Payroll withholdings payable	1,353
Accrued wages payable	2,333
Deferred revenue	<u>203,928</u>
Total liabilities	<u>209,372</u>
Fund balance	
Fund balance - unreserved	<u>119,994</u>
Total fund balance	<u>119,994</u>
Total liabilities and fund balance	<u>\$ 329,366</u>

The accompanying notes are an integral part of this statement.

**SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana**

**Statement Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund
For the Year Ended December 31, 2010**

	General Fund
Revenues	
Maintenance taxes	\$ 175,452
St. Charles Parish Council grant	298,218
Oil & gas royalties & leases	19,273
Interest	303
Total revenues	493,246
Expenditures	
Advertising	24
Contract labor	39,690
Equipment repair	78,151
Fuel	18,598
Insurance	47,984
Insurance - employee health	18,619
Legal & accounting	17,897
Material & supplies	25,231
Miscellaneous	2,285
Office supplies	758
Per diem	3,965
Salaries	144,127
Secretary/Treasurer	3,000
Taxes - payroll	10,910
SIMPLE expense	4,710
Telephone	3,520
Utilities	6,638
Capital outlay	12,370
Total expenditures	438,477
Excess of revenues over (under) expenditures	54,769
Fund balance	
Beginning of year	65,225
End of year	\$ 119,994

The accompanying notes are an integral part of this statement.

**SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana**

**Reconciliation of the Governmental Fund Balance Sheet to the
Government-Wide Statement of Net Assets
December 31, 2010**

Total Fund Balances - Governmental Funds	\$ 119,994
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the Governmental Funds Balance Sheet	479,319
Maintenance taxes on the Governmental Funds Balance Sheet are recorded for the total assessment; however, on the Statement of Net Assets, the receivable is net of maintenance tax expense	(28,550)
Maintenance taxes will be collected after year end; but, they are not available soon enough to pay for the current period expenditures; therefore they are reported as deferred revenue in the fund financial statements.	<u>203,928</u>
Total Net Assets - Governmental Activities	<u>\$ 774,691</u>

The accompanying notes are an integral part of this statement.

**SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana**

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the year ended December 31, 2010**

Net Change in Fund Balances - Governmental Funds \$ 54,769

Amounts reported for governmental activities in the Statement of
Activities are different because:

Governmental funds report capital outlays as expenditures. However, in
the statement of activities, the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense.

Capital assets purchased	12,370	
Depreciation expense	(49,707)	
Loss on disposal of assets	(24)	(37,361)

Maintenance tax revenue and expenses in the statement of activities that
do not provide current resources is not reported as revenue in the
fund financial statements.

Difference in maintenance tax revenue	28,537	
Maintenance tax expense	(28,550)	(13)

Change in Net Assets - Governmental Activities \$ 17,395

Notes to the Financial Statements

**SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana**

**Notes to the Financial Statements
As of and for the Year Ended December 31, 2010**

INTRODUCTION

The Sunset Drainage District of St. Charles Parish was established May 16, 1924. It is controlled by a five member board of commissioners appointed by the St. Charles Parish Council. Sunset Drainage District funds are dedicated to operating and maintaining drainage facilities within the district boundaries. Financing is provided primarily by a grant from the St. Charles Parish Council, maintenance taxes, and mineral royalties. At year end the board employed three employees.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of presentation

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

B. Reporting entity

As the governing authority of the parish, for reporting purposes, the St. Charles Parish Council is the financial reporting entity for St. Charles Parish. The financial reporting entity consists of (a) the primary government (parish council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The District is classified as a component unit of St. Charles Parish because the parish council appoints the organizations governing body and because there is the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the parish council. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the parish council, the general government services provided by that governmental unit, or the other governmental units that comprise the governmental reporting entity.

SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
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Notes to the Financial Statements
As of and for the Year Ended December 31, 2010

C. Government-wide accounting

In accordance with Government Accounting Standards Board Statement No. 34, the District has presented a Statement of Net Assets and a Statement of Activities for the District as a whole. These statements include the primary government and its component units, if applicable, with the exception of fiduciary funds. Those funds are reported separately. Government-wide accounting is designed to provide a more comprehensive view of the government's operations and financial position as a single economic entity.

Government-wide statements distinguish between governmental-type and business-type activities. Governmental activities are those financed through taxes, intergovernmental revenues and other non-exchange revenues and are usually reported in governmental and internal service funds. Business activities are financed in whole or in part through fees charged for goods and services to the general public and are usually reported in proprietary funds.

Policies specific to the government-wide statements are as follows:

Eliminating Internal Activity

Interfund receivables and payables are eliminated in the Statement of Net Assets except for the net residual amounts due between governmental and business-type activities, these are presented as internal balances. The allocation of overhead expenses from one function to another or within the same function are eliminated in the Statement of Activities. Allocated expenses are reported by the function to which they were allocated.

Application of FASB Statements and Interpretations

Reporting on governmental-type and business-type activities are based on FASB Statements and Interpretations issued after November 30, 1989, except where they conflict or contradict GASB pronouncements.

Program Revenues

The Statement of Activities presents two categories of program revenues — (1) charges for services; and (2) operating grants and contributions. Charges for services are those revenues arising from charges to customers who purchase, use or directly benefit from goods and services provided by the District. Grants and contributions, whether operating or capital in nature, are revenues arising from receipts that are restricted for a specific use. The District does not have any revenue from charges for services.

Indirect Expenses

Expenses are reported according to function except for those that meet the definition of special or extraordinary items. Direct expenses are specifically associated with a service

SUNSET DRAINAGE DISTRICT
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Notes to the Financial Statements
As of and for the Year Ended December 31, 2010

or program. Indirect expenses include general government or administration that cannot be specifically traced to a service or program. Governments are not required to allocate indirect expenses to other functions, and the District has chosen not to do so.

Operating Revenues

Proprietary funds separately report operating and non-operating revenues. The District does not have any proprietary funds.

Restricted Net Assets

Restricted net assets are those for which a constraint has been imposed either externally or by law. The District recognizes the use of restricted resources for expenditures that comply with the specific restrictions. Restricted resources are exhausted before unrestricted net assets are used.

D. Fund Accounting

The District uses funds to report on its financial position and the result of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate entity with a self-balancing set of accounts. Funds of the District are classified as governmental. This category, in turn, is divided into separate fund types. The fund classifications and a description of the only existing fund type follow:

Governmental Funds

Governmental funds account for all of the District's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term obligations. The general fund is the operating fund of the District and accounts for all financial resources. It is the District's only governmental fund.

E. Basis of Accounting / Measurement Focus

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

The accounting and financial reporting treatment applied to a fund is determined by the type of financial statement presentation.

SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
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Notes to the Financial Statements
As of and for the Year Ended December 31, 2010

The government-wide statements are reported using an economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of governmental-type and business-type activities are included in the Statement of Net Assets. Revenues are recognized when earned, and expenses are recognized at the time the liabilities are incurred in the Statement of Activities. In these statements, capital assets are reported and depreciated in each fund.

The fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements present increases and decreases in net current assets. Expenditures for capital assets are reported as current expenses, and such assets are not depreciated. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., when they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period. The District considers revenues to be "available" if they are collected within 60 days after year-end. Expenditures are generally recorded under the modified accrual basis of accounting when the related liability is incurred. The exceptions to this general rule are that (1) unmatured principal and interest on long-term debt, if any, are recorded when due and (2) claims and judgments and compensated absences are recorded as expenditures when paid with expendable available financial resources. Depreciation is a cost that is not recognized in the governmental funds. The District does not have any business-type activities.

F. Budgets

The District adopted the budget for the General Fund for the year ended December 31, 2010 as required by Louisiana Revised Statutes 39:1303-1305. Budget integration was employed as a management control device during the year. Unexpended appropriations lapse at year end, and must be reappropriated in the next year's budget to be expended. The board of commissions reserves all authority to make changes to the budget. The budget is prepared on the cash basis, which is a non-GAAP basis of accounting.

Budgeted amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments (if any). The district did not budget beginning or ending fund balance for the calendar year ended December 31, 2010.

G. Encumbrances

The District does not use encumbrance accounting.

SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
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Notes to the Financial Statements
As of and for the Year Ended December 31, 2010

H. Cash and cash equivalents, and investments

Cash includes amounts in demand deposits, interest-bearing demand deposits, money market accounts, and time deposits. Investments include amounts in the Louisiana Asset Management Pool. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the board may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

The District invests funds in the Louisiana Asset Management Pool (LAMP). LAMP is a local government 2a7-like investment pool established as a cooperative endeavor to enable public entities of the State of Louisiana to aggregate funds for investment. For financial statement purposes, LAMP investments are valued and reported at fair value. A 2a7-like pool is an external investment pool that is not registered with the Securities and Exchange commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940.

I. Inventories

Physical inventories consist of expendable supplies held for consumption. Because inventories are expended within one operating cycle they are recorded as expenditures when paid for and are not recorded as an inventory asset.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays

SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2010

that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is recorded using the straight-line method over the useful lives of the assets as follows:

Buildings & Improvements	5 – 30 years
Equipment	5 – 15 years
Office furniture	5 – 7 years
Vehicles	5 – 15 years

L. Compensated absences

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

Employees of the District earn from 5 to 20 days of vacation leave each year, depending on their length of service. All employees earn 6 days of sick leave each year. Sick leave may be accumulated to a maximum of 30 days. Upon retirement or death, unused accumulated vacation for the year is paid to the employee or to the employee's estate at the employee's current rate of pay. Vacation leave cannot accrue from one year to the next.

In accordance with GASB Statement No. 16, the cost of vacation leave is accrued only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals. The costs of sick leave privileges are not recorded as liabilities in the financial statements because they will not result in termination payments. There is no liability for vacation leave as of the end of the year because the employees' vacation leave cannot be accrued from one year to the next.

M. Net Assets/Fund Balances

In the Statement of Net Assets, the difference between a government's assets and liabilities is recorded as net assets. The three components of net assets is as follows:

Invested in Capital Assets, Net of Related Debt

This category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowing attributable to the acquisition, construction or improvement of capital assets.

SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2010

Restricted Net Assets

Net assets that are restricted by external sources such as banks or by law are reported separately as restricted net assets. When assets are required to be retained in perpetuity, these non-expendable net assets are recorded separately from expendable net assets. These are components of restricted net assets.

Unrestricted Net Assets

This category represents net assets not appropriable for expenditures or legally segregated for a specific future use.

In the Balance Sheet of governmental funds, fund balances are segregated as follows:

Reserved

These resources are segregated because their use is earmarked for a specific use.

Unreserved

This category represents that portion of equity not appropriable for expenditures or legally segregated for a specific future use.

NOTE 2. MAINTENANCE TAXES

The Sunset Drainage District of St. Charles Parish is authorized under L.S.A. R.S. 38:1674.14 to levy an annual acreage tax in an amount not to exceed \$20.00 per acre on each acre of land within the boundaries of the district for the purpose of improving, operating and maintaining drainage facilities. For the year ending December 31, 2010, the district levied an acreage tax of \$20.00 per acre of land. The St. Charles Parish Assessor levies the tax each year on November 15 based upon the assessed value, less homestead exemptions. The 1st day of January preceding the annual levy date (Nov. 15th) will be used as the date to value the property subject to the tax. The tax becomes due on November 15 and is considered delinquent if not paid by December 31. Most of the tax revenues are collected during the months of December, January, and February. The St. Charles Parish Sheriff's Office acts as the collection agent for these taxes.

The maintenance tax revenue is recorded in the government-wide and fund financial statements as follows:

Government-wide financial statements

In the government-wide financial statements, maintenance taxes receivable is recorded for the total amount assessed. Maintenance taxes revenue is recorded as the total amount assessed plus prior year taxes collected during the current

**SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana**

**Notes to the Financial Statements
As of and for the Year Ended December 31, 2010**

year. Prior to remitting the taxes, the Tax Collector deducts 14% commission on collected taxes charged by the Tax Collector. In 2010, the expense for the 14% commission was \$28,550. This expense is reported as maintenance tax expense. An allowance for doubtful accounts is not recorded by the District because the amount of uncollected taxes is immaterial and written off in the year following the year of assessment.

Fund financial statements

In the fund financial statements, the District records maintenance taxes revenue in the year following the assessment, when the majority of the taxes actually collected. The District records the taxes in this manner because the Board does not consider the taxes that are assessed in the current year to be "available" to pay current year expenditures because most of it will not be collected until after year-end. Accordingly, the Board budgets the tax revenue to be spent in the year that it is collected and not when it is assessed. The Board records as a receivable and deferred revenue the total amount of assessment for the current year on the fund balance sheet.

The total taxable acreage for 2010 was 10,196 acres. The following are the principal taxpayers for the district:

Taxpayer	Total Acreage Assessed	Total Tax Assessed	% of Total Acreage Assessed
Texaco Pipelines, LLC	7,810	\$1,940,226	76.60%
Hilcorp Energy I, L.P.	381	94,512	3.74%
Sunset Ridge Development LLC	245	4,401	2.40%
Lemmon, Mary Ann Vial, Et Als	140	700	1.37%
Rivet, Huey Joseph	115	26,508	1.13%
Sunset Ridge Development, LLC	112	2,009	1.10%
Texaco Pipelines, LLC	108	236,940	1.06%
Sunset Ridge Development, LLC	75	1,345	0.74%
Beau Place Estates, LLC	41	11,374	0.40%
Riviere, Lula Matherne	41	6,719	0.40%

SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2010

NOTE 3. GRANT

The St. Charles Parish Council subsidized the operations of the District with a \$ 298,218 grant for the fiscal year 2010. The Sunset Drainage District agrees to adequately maintain the drainage system within the boundaries of the District to protect the lives and property of the citizens residing within the district

NOTE 4. CASH AND INVESTMENTS

At December 31, 2010, the District's cash consisted of the following:

At year-end, the carrying amount of the District's checking account and LAMP account (book balance) was \$ 116,412. The difference in the book and bank balances for these accounts relates to deposits made and checks written which were in transit at year-end. The total balances of the District's cash & investment accounts (bank balances) totaled \$ 129,871. These amounts were secured by FDIC insurance (Category 1). There were no amounts unsecured.

Cash & Investments	Cost	Value	Rate	Maturity	Category
Cash:					
Checking account	\$ 115,150	\$ 115,150	0.05%	Demand	Category 1
Investments:					
LAMP	<u>1,262</u>	<u>1,262</u>	0.38%	Demand	Not Required
Total Cash & Investments	<u>\$ 116,412</u>	<u>\$ 116,412</u>			

LAMP is an external investment pool established as a cooperative endeavor to enable public entities in the State of Louisiana an opportunity to combine their funds for investment. LAMP is administered by LAMP, Inc., a non-profit corporation organized under Louisiana law. Although LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes investments only in federal agencies backed by the U.S. government, government-only money market funds rated AAA by Standard & Poor's, and commercial paper of domestic United States corporations rated A-1 or A-1+ by Standard & Poor's. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days and LAMP

SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2010

consists of no securities with a maturity of more than 397 days. However, LAMP voluntarily complies with Standard & Poor's requirement for AAAM rated funds to restrict the average weighted average maturity of investments to 60 days or less in order to maintain its AAAM rating for the LAMP pool. By doing this, LAMP maintains the safety of its invested principal and limits its exposure to loss in the market. The fair market value of investments is determined on a weekly basis to monitor any variances between amortized cost and market value. For purposes of determining participants' shares sold and redeemed, investments are valued at amortized cost. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments comprising LAMP's portfolio are stated at their fair values based on quoted market rates. The fair values are determined on a weekly basis by LAMP and the fair value of the position of the pool is the same as the value of the pool shares. LAMP seeks to maintain a stable net asset value of \$1.00 per unit, but there are no assurances that LAMP will be able to always achieve this objective. Because of its liquidity, the balance in the LAMP account is classified as a current asset on the Statement of Net Assets. The LAMP investment does not have a credit risk categorization similar to the District's demand deposit because the LAMP investment is not evidenced by securities that exist in physical or book entry form. However, LAMP issues an annual audited financial statement, in which the pool's custodial credit risks and investment policies are disclosed.

NOTE 5. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 was as follows:

	<u>12/31/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2010</u>
Nondepreciable capital assets:				
Deposit on Equipment	\$ -	\$ 12,370	\$ -	\$ 12,370
Land	251,728	-	-	251,728
	<u>251,728</u>	<u>12,370</u>	<u>-</u>	<u>264,098</u>
Depreciable capital assets:				
Equipment	851,320	-	(22,500)	828,820
Buildings & Improvements	42,570	-	-	42,570
Land Improvements	893,579	-	-	893,579
	<u>1,787,469</u>	<u>-</u>	<u>(22,500)</u>	<u>1,764,969</u>
Less: accumulated depreciation	<u>(1,522,516)</u>	<u>(49,707)</u>	<u>22,476</u>	<u>(1,549,747)</u>
Depreciable capital assets, net	<u>264,953</u>	<u>(49,707)</u>	<u>(24)</u>	<u>215,222</u>
Total capital assets, net	<u>\$ 516,681</u>	<u>\$ (37,337)</u>	<u>\$ (24)</u>	<u>\$ 479,320</u>

Depreciation expense for the year was \$49,707.

SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2010

NOTE 6. PENSION PLAN

A. Social Security

All employees of the Sunset Drainage District contribute to the Department of the Treasury, Division of Social Security. Contributions to the system are made by both the employees and the District as a percentage of salaries. For the year ended December 31, 2010, the District contributed \$8,936 to the system as its share of the contributions. Other than the annual contributions required by the system and recorded as expenditures annually, Sunset Drainage District does not guarantee any of the benefits granted by the retirement system.

B. SIMPLE Retirement Plan

Plan Description: Sunset Drainage District offers a Savings Incentive Match Plan (SIMPLE) plan for eligible employees. This plan is being managed by Oppenheimer Funds. To be eligible to participate, employees must have at least two years of service during which they have earned \$5,000 and expect to earn \$5,000 during the current year. All of the employees of Sunset Drainage District are eligible and do participate in this SIMPLE plan. Withdrawals made by employees before attaining age fifty-nine and one-half years old and within two years from the date of joining the plan may be subject to a 25% premature withdrawal penalty tax. After two years of participation, a 10% early withdrawal penalty tax may be imposed on these employees. Distributions must start no later than April 1 of the year after the year that the individual reaches seventy and one-half years old.

Funding Policy: The plan is funded by both the employee and employer. The employee determines the amount or portion of their income that he or she wants to contribute to the plan. This "contribution" is made on a pre-tax basis, thereby reducing the amount of employee's income that is subject to federal taxation. Employees are allowed to put up to 100% of their income with a maximum contribution of \$11,500 a year or \$14,000 if the employee has reached 50 years of age or older. The employee has a choice of various funds into which he or she may invest his or her money. The rate of return on these funds varies with each fund. The employer's portion of the funding is done by way of a match. The employer matches the employee's contribution dollar for dollar, up to 3% of each individual's compensation to a maximum of \$8,000 per year. This amount can be reduced to a minimum of 1% for any two years out of a five-year period. For the year ending December 31, 2010, the amount of the employee's portion of the funding is \$22,557. For years 2010, 2009, and 2008, the amount of the employer's portion of the funding was \$4,291, 4,229, and \$4,478, respectively.

SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2010

NOTE 7. OTHER POSTEMPLOYMENT BENEFITS

The District provides no other postretirement benefits.

NOTE 8. LEASES

The District had no capital leases to be recorded as assets and obligations in the accompanying financial statements.

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters. The District has purchased commercial insurance to cover or reduce the risk of loss that might arise should one of these incidents occur. There have been no significant reductions in coverage from the prior year. No settlements were made during the current or prior three fiscal years that exceeded the district's insurance coverage.

NOTE 10. ECONOMIC DEPENDENCY

Sunset Drainage District's primary source of support is through a Cooperative Agreement with St Charles Parish. In the event that this Agreement is not renewed, the financial position of the District could be significantly impacted. For the year ended December 31, 2010, these funds represented 57% of total revenues.

NOTE 11. SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through May 16, 2011, which is the date the financial statements were available to be issue.

NOTE 12. LITIGATION AND CLAIMS

At December 31, 2010, the district had no litigation or claims pending.

Required Supplemental Information
(Part 2 of 2)

**SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana
GOVERNMENTAL FUND - GENERAL FUND**

**Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Non-GAAP Basis)
For the Year ended December 31, 2010**

	Original Budget	Amended Budget	Actual	Variance - Positive (Negative)
Revenues				
Maintenance taxes	\$ 174,000	\$ 175,481	\$ 175,451	\$ (30)
St. Charles Parish Council grant	-	-	298,218	298,218
Oil & gas royalties & leases	20,000	20,872	19,273	(1,599)
Interest	1,000	-	303	303
Other	2,000	305,056	-	(305,056)
Total revenues	197,000	501,409	493,245	(8,164)
Expenditures				
Advertising	500	24	24	-
Contract labor	40,000	39,090	39,690	(600)
Equipment repair	40,000	118,559	79,212	39,347
Fuel	79,000	27,355	27,255	100
Insurance	85,000	66,244	47,614	18,630
Legal & accounting	20,000	17,106	17,897	(791)
Material & supplies	20,000	30,971	-	30,971
Miscellaneous	3,000	20	29,086	(29,066)
Office supplies	700	784	-	784
Per diem	4,200	3,965	744	3,221
Professional services	3,000	-	3,965	(3,965)
Salaries	136,318	146,246	143,978	2,268
Secretary/Treasurer	3,000	3,000	3,000	-
Taxes - payroll	7,000	11,054	10,910	144
SIMPLE expense	4,000	4,715	4,710	5
Employee Health Insurance	-	-	18,619	(18,619)
Telephone	3,000	3,352	3,354	(2)
Utilities	5,500	6,501	6,499	2
Capital Outlay	40,000	1,044	40,226	(39,182)
Total expenditures	494,218	480,030	476,783	3,247
Excess of revenues over (under) expenditures	(297,218)	21,379	16,462	(4,917)
Fund Balance				
Beginning of the year	not budgeted	not budgeted	65,225	
End of the year			\$ 81,687	

Supplemental Information Schedules

**SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana**

**Schedule of Compensation Paid to Board Members
For the Year Ended December 31, 2010**

The schedule of compensation paid to board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. R.S. 38:1607 authorizes each commissioner to receive compensation of not more than sixty-five dollars per day including all actual expenses, while attending to the business of the district.

<u>Member</u>	<u>Per Diem</u>	<u>No. of Days</u>	<u>Total Per Diem</u>
Eric Matherne	\$ 65	10	\$ 650
Curlis Matherne	65	12	780
Ronald Dufrene	65	11	715
James Estay, Jr.	65	14	910
Richard Bordner	65	14	<u>910</u>
Total			<u><u>\$ 3,965</u></u>

**SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana**

**Summary Schedule of Prior Year Audit Findings
As of and for the Year Ended December 31, 2010**

Section I – Internal Control Issues

Ref. No. 0912-01 – Lack of Segregation of Duties

Fiscal year finding initially occurred

Fiscal year ended December 31, 1996

Description of Finding

Internal Control Material Weakness. The size of the Sunset Drainage District's operation and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial.

Corrective Action Taken

No corrective action was taken because of the size of the entity.

Ref. No. 0912-02 - Inadequate Controls over Financial Statement Preparation

Fiscal year finding initially occurred

Fiscal year ended December 31, 1996

Description of Finding

A material weakness exists in financial reporting because the District does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.

Corrective Action Taken

Management has evaluated the cost versus benefit of hiring a person who has the qualifications and training to apply generally accepted accounting principles in the preparation of financial statements. Management has determined that it is in the best interest of the District at this time, to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them. Management understands that it accepts final responsibility for the financial statements content and presentation.

**SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana**

**Summary Schedule of Prior Year Audit Findings
As of and for the Year Ended December 31, 2010**

Section II – Management Letter

Dated May 13, 2010

**Issuance of Form 1099 and Preparation of Forms 941 Employer's Quarterly
Federal Tax Return**

In 2009 we found that a 1099-MISC was omitted. We suggested that steps should be taken to insure that all persons required to receive tax reporting forms are included. Also, we found that 941 forms were prepared incorrectly and did not reconcile to the form W3. We suggested that steps be taken to prepare the 941 reports correctly and that they are reconciled at year end to the W3.

Corrective Action Taken

Current year 1099's were prepared correctly. Also, it appears as though management took the steps to correct the 941 issue, however, we found that the 3rd Qtr 941 was prepared incorrectly, therefore, the forms did not reconcile to from W3 as they should. See current year management letter on page 37 for more information.

**SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana**

**Current Year Findings and Management's Corrective Action Plan
As of and for the Year Ended December 31, 2010**

Section I – Internal Control Issues

Ref. No. 1012-01

Description of Finding

Internal Control Material Weakness. The size of the Sunset Drainage District's operation and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial.

Corrective Action Planned

No corrective action is planned because of the size of the entity.

Name of Contact Person

L.J. Frickey, Secretary/Treasurer

Anticipated Completion Date

None

Additional Explanation

This is a common audit finding noted in audits of small governmental entities. The district's office does not employ enough people in its accounting department to segregate duties.

The finding cannot be remedied in a cost effective manner.

**SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana**

**Current Year Findings and Management's Corrective Action Plan
As of and for the Year Ended December 31, 2010**

Ref. No. 1012-02

Description of Finding

Inadequate Controls over Financial Statement Preparation

A material weakness exists in financial reporting because the District does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.

Corrective Action Plan

Management has evaluated the cost versus benefit of hiring a person who has the qualifications and training to apply generally accepted accounting principles in the preparation of financial statements. Management has determined that it is in the best interest of the District at this time, to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them. Management understands that it accepts final responsibility for the financial statements content and presentation.

Name of Contact Person

L.J. Frickey, Secretary/Treasurer

Anticipated Completion Date

None

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***



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

BOARD OF COMMISSIONERS
SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana

We have audited the financial statements of the governmental activities and the major fund of Sunset Drainage District (the District); component unit of St. Charles Parish, as of and for the year ended December 31, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 16, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

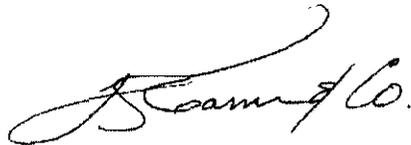
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified two deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above (1012-01 and 1012-02). A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Sunset Drainage District in a separate letter dated May 16, 2011.

This report is intended solely for the information and use of the District's board of commissioners, management, St. Charles Parish Council, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Thibodaux, Louisiana
May 16, 2011

MANAGEMENT LETTER



Management Letter

Board of Commissioners
Sunset Drainage District
St. Charles Parish
Paradis, Louisiana

In planning and performing our audit of the financial statements of Sunset Drainage District (the District) for the year ended December 31, 2010, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. (We previously reported on the District's internal control in our report dated May 16, 2011). This letter does not affect our report dated May 16, 2011, on the financial statements of Sunset Drainage District.

We will review the status of this comment during our next audit engagement. We have already discussed this suggestion with the District's management, and we will be pleased to discuss comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Preparation of Forms 941 Employer's Quarterly Federal Tax Return

In our inspection of the payroll reporting process, we noted that the 2010 3rd quarter payroll tax return Form 941 was prepared incorrectly. Specifically, the information reported on line 2 was incorrect. This error did not result in an error in tax payment. However, it does cause the quarterly 941 reports, in total, to not reconcile with the year end Form W3, as required. The individual W2s were prepared correctly. We suggest that steps are taken to correct the Form 941 for the 3rd quarter 2010 and, in the future, prepare the 941 reports correctly so that they can reconcile at year end to the W3.

In reviewing the above items with management, they agree with the suggestions presented here and will work towards implementing these recommendations.

We wish to thank the District's board for their support and assistance during our audit.

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

May 16, 2011