

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH**

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, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/2/06



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

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

As of and for the year ended December 31, 2005

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**SUNSET DRAINAGE DISTRICT OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL**

Paradis, Louisiana

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

As of and for the year ended December 31, 2005

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and the major fund of Sunset Drainage District of St. Charles Parish, component unit of St. Charles Parish, as of and for the year ended December 31, 2005, which collectively comprise the Sunset Drainage District of St. Charles Parish's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sunset Drainage District of St. Charles Parish's management. Our responsibility is to express opinions on these financial statements based on our audit.

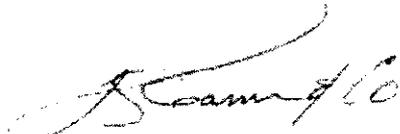
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as 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 of St. Charles Parish, as of December 31, 2005, 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 5, 2006, on our consideration of Sunset Drainage District of St. Charles Parish'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 conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 9 and page 31, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sunset Drainage District of St. Charles Parish's basic financial statements. 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. The Schedule of Compensation Paid to Board Members has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



Thibodaux, Louisiana
May 5, 2006

Required Supplemental Information
(Part 1 of 2)

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL**

Paradis, Louisiana

**Management's Discussion and Analysis
For the year ended December 31, 2005**

Our discussion and analysis of the Sunset Drainage District of St. Charles Parish'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, 2005.

FINANCIAL HIGHLIGHTS

- Based upon the operation of 2005, the District's net assets decreased by \$26,617 and resulted in ending net assets of \$673,932.
- Cash and cash equivalents and investments at the end of the year were \$8,439 higher than last year.
- The District received an extra grant (\$40,000) from St. Charles parish this year to pay for the cost of a drainage impact study. The expense for the study is listed as professional services on the financial statements.

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 10 and 11 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 12. 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 resources 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 change in them. These net assets, the difference between the assets and the liabilities, are one way 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.

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL**

Paradis, Louisiana

Management's Discussion and Analysis
For the year ended December 31, 2005

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 funds. All of the District's expenditures are reported in governmental funds, which focus on how money flows into and out of the funds and the balances left at year-end that are available for spending. These funds are 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 these funds. The information in the governmental funds 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 funds in reconciliations on pages 14 and 15.

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

Management's Discussion and Analysis
For the year ended December 31, 2005

ANALYSIS OF THE DISTRICT USING GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	<u>2005</u>	<u>2004</u>	<u>Difference</u>
Assets			
Current assets	\$ 274,843	\$ 256,990	\$ 17,853
Capital assets, net of depreciation	<u>413,112</u>	<u>452,519</u>	<u>(39,407)</u>
Total assets	<u>687,955</u>	<u>709,509</u>	<u>(21,554)</u>
Liabilities			
Current liabilities	<u>14,023</u>	<u>8,960</u>	<u>5,063</u>
Total liabilities	<u>14,023</u>	<u>8,960</u>	<u>5,063</u>
Net Assets			
Investment in capital assets, net of depr	413,112	452,519	(39,407)
Unrestricted	<u>260,820</u>	<u>248,030</u>	<u>12,790</u>
Total net assets	<u>\$ 673,932</u>	<u>\$ 700,549</u>	<u>\$ (26,617)</u>

- Current assets for the year increased by \$17,853 or 7%. This was primarily due to an increase in cash for the year of \$8,405 and a receivable from St. Charles Parish (\$8,000) that the District did not have last year.
- At the end of the year, the District had capital assets, net of accumulated depreciation in the amount of \$413,112. This was made up of \$1,818,023 in capital assets and \$1,404,911 in accumulated depreciation. The District purchased \$8,200 in capital assets during 2005.
- Total liabilities at the end of the year were \$14,023. This amount was \$5,063 or 57% higher than at the end of 2004. This was attributable to two invoices for legal fees totaling \$4,621 that were payable at the end of the year.
- The unrestricted net assets balance at the end of 2004 was restated (increased by \$13,027) to remove the amount reported in 2004 for compensated absences payable. See Note 2. Based upon the operation of 2005, the District's net assets decreased by \$26,617 and resulted in ending net assets of \$673,932.

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

Management's Discussion and Analysis
For the year ended December 31, 2005

The following table illustrates the revenues and expenses that produced the decrease in net assets for the fiscal year.

	<u>2005</u>	<u>2004</u>	<u>Difference</u>
Revenue			
Operating Grants & Contributions:			
St. Charles Parish	\$ 40,000	\$ -	\$ 40,000
General Revenue:			
Maintenance taxes	199,813	210,303	(10,490)
St. Charles Parish Council grant	124,388	77,582	46,806
Oil & gas royalties & leases	28,512	23,116	5,396
Interest	771	896	(125)
Insurance claims	7,137	-	7,137
Donations	-	1,500	(1,500)
Other	1,387	217	1,170
Total revenue	<u>402,008</u>	<u>313,614</u>	<u>88,394</u>
Expenses			
Operating and maintaining drainage	<u>428,625</u>	<u>424,134</u>	<u>4,491</u>
Total expenses	<u>428,625</u>	<u>424,134</u>	<u>4,491</u>
Change in net assets	(26,617)	(110,520)	83,903
Net assets, beginning of the year	<u>700,549</u>	<u>798,042</u>	<u>(97,493)</u>
Net assets, end of the year	<u>\$ 673,932</u>	<u>\$ 687,522</u>	<u>\$ (13,590)</u>

- Total revenue for the year was \$402,008. This amount was \$88,394 or 28% higher than last year. This was primarily attributable to the District receiving \$86,803 more from the Parish in 2005 than it did in 2004. \$40,000 of this increase was a one-time grant to pay for the cost of a drainage impact survey.
- Total expenses for the year were \$428,625. This amount was \$4,491 or 1% higher than last year.

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 \$84,910. For the year, the District's fund balance increased \$11,850. The unreserved fund balance at the end of 2004 was restated (decreased by \$174,970) because of a change in the way management records the maintenance taxes. See Note 2.

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

Management's Discussion and Analysis
For the year ended December 31, 2005

The District's total revenues for the year were \$372,431. This amount is 16% lower than last year's revenue. This was primarily attributable to the change in the way that the District records the maintenance taxes. The total expenditures were \$360,581 which include \$8,200 in capital asset purchases.

For the year, the District had excess revenues and other financing sources over expenditures in the amount of \$11,850.

CAPITAL ASSETS AND LONG-TERM DEBT

During the year, the District replaced a roof which costs \$8,200. Depreciation expense for the year was \$47,607. The total capital assets, net of accumulated depreciation, were \$413,112 as of December 31, 2005.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget was amended in December 2005 to bring it more in line with the actual activity. Budgeted revenues were increased in the amendment to include an amount for a grant from St. Charles Parish to help subsidize the operations of the District. The difference between the original and amended budget was primarily because of budgeting revenue from the St. Charles Parish.

The actual revenues were less than budgeted amounts for the fiscal year, while the actual expenditures were more than the budgeted amounts for the fiscal year. A comparison schedule can be found on page 31.

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.

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
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana**

**Statement of Net Assets
December 31, 2005**

	<u>Governmental Activites</u>
ASSETS	
Current assets	
Cash	\$ 84,779
Investments	1,109
Receivables:	
Maintenance taxes	175,911
St. Charles Parish	8,000
Royalties	3,039
US Treasury	<u>2,005</u>
Total current assets	<u>274,843</u>
Fixed Assets	
Capital assets, net	<u>413,112</u>
Total fixed assets	<u>413,112</u>
Total assets	<u><u>687,955</u></u>
LIABILITIES	
Current liabilities	
Accounts payable to various vendors	6,879
Payroll withholdings payable	<u>7,144</u>
Total current liabilities	<u>14,023</u>
Total liabilities	<u>14,023</u>
NET ASSETS	
Investment in capital assets, net of related debt	413,112
Unrestricted	<u>260,820</u>
Total net assets	<u><u>\$ 673,932</u></u>

The accompanying notes are an integral part of this statement.

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

**Statement of Activities
For the Year Ended December 31, 2005**

	Expenses	Charges for Services	Operating Grants & Contributions	Total
Expenses:				
Operating and maintaining drainage:				
Advertising	\$ 84			\$ 84
Contract labor	13,416			13,416
Equipment repair	43,799			43,799
Fuel	17,118			17,118
Insurance	25,404			25,404
Legal & accounting	26,732			26,732
Maintenance tax expenditures	28,637			28,637
Material & supplies	14,308			14,308
Miscellaneous	3,030			3,030
Office supplies	903			903
Per diem	3,835			3,835
Professional services	40,000		\$ 40,000	-
Salaries	128,710			128,710
Secretary/Treasurer	3,000			3,000
Taxes - payroll	10,098			10,098
SIMPLE expense	4,350			4,350
Employee health ins expense	11,779			11,779
Telephone	2,078			2,078
Utilities	3,737			3,737
Depreciation expense	47,607			47,607
Total governmental activities	\$ 428,625	\$ -	\$ 40,000	\$ 388,625
 General Revenues				
Maintenance taxes				199,813
St. Charles Parish Council grant				124,388
Oil & gas royalties & leases				28,512
Interest				771
Insurance claims				7,137
Other				1,387
Total general revenues				362,008
Change in net assets				(26,617)
Net assets:				
Beginning of the year (Restated See Note 2)				700,549
End of the year				\$ 673,932

The accompanying notes are an integral part of this statement.

BASIC FINANCIAL STATEMENTS

Fund Financial Statements

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

**Balance Sheet - Governmental Fund
December 31, 2005**

	<u>General Fund</u>
ASSETS	
Cash	\$ 84,779
Investments	1,109
Receivables:	
Maintenance taxes	210,303
St. Charles Parish Council	8,000
Royalties	3,040
US Treasury	<u>2,006</u>
Total assets	<u>\$ 309,237</u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable to various vendors	6,879
Payroll withholdings payable	7,145
Deferred revenue	<u>210,303</u>
Total liabilities	<u>224,327</u>
Fund balances:	
Fund balance - unreserved	<u>84,910</u>
Total fund balance	<u>84,910</u>
Total liabilities and fund balance	<u>\$ 309,237</u>

The accompanying notes are an integral part of this statement.

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

**Statement Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund
For the Year Ended December 31, 2005**

	General Fund
Revenues	
Taxes:	
Maintenance taxes	\$ 170,236
Other:	
St. Charles Parish Council grant	164,388
Oil & gas royalties & leases	28,512
Interest	771
Other	1,387
Total revenues	365,294
Expenditures	
Current:	
Advertising	84
Contract labor	13,416
Equipment repair	43,799
Fuel	17,118
Insurance	25,404
Legal & accounting	26,732
Material & supplies	14,308
Miscellaneous	3,030
Office supplies	903
Per diem	3,835
Professional services	40,000
Salaries	128,710
Secretary/Treasurer	3,000
Taxes - payroll	10,098
SIMPLE expense	4,350
Employee health ins expense	11,779
Telephone	2,078
Utilities	3,737
Capital Outlay:	
Capital improvements	8,200
Total expenditures	360,581
Excess of revenues over/(under) expenditures	4,713
Other financing sources	
Insurance claim	7,137
Total other financing sources	7,137
Excess of revenues and other financing sources over/(under) expenditures	11,850
Fund balance	
Beginning of year (Restated, See Note 2)	73,060
End of year	\$ 84,910

The accompanying notes are an integral part of this statement.

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

**Reconciliation of the Governmental Fund Balance Sheet to the
Government-Wide Statement of Net Assets
December 31, 2005**

Total Fund Balances - Governmental Funds	\$ 84,910
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	413,112
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	(34,393)
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>210,303</u>
Total Net Assets - Governmental activities	<u>\$ 673,932</u>

The accompanying notes are an integral part of this statement.

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
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, 2005**

Net Change in Fund Balances - Governmental Funds \$ 11,850

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	8,200	
Depreciation expense	<u>(47,607)</u>	(39,407)

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	29,577	
Maintenance tax expense	<u>(28,637)</u>	<u>940</u>

Change in Net Assets - Governmental activities \$ (26,617)

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

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

Notes to the Financial Statements
As of and for the Year Ended December 31, 2005

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, mineral royalties, and interest on investments. At year end the board employed three employees.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of presentation

The accompanying general purpose 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
OF ST. CHARLES PARISH
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Notes to the Financial Statements
As of and for the Year Ended December 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Capitalizing Assets

Tangible and/or intangible assets used in operations with an initial useful life that extends beyond one year are capitalized. Infrastructure assets such as roads and bridges are also capitalized. Capital assets are recorded at their historical cost and are depreciated using the straight-line method of depreciation over their estimated useful lives. They are reported net of accumulated depreciation on the Statement of Net Assets. Depreciation of contributed assets of proprietary funds is charged against contributed capital as opposed to unrestricted net assets.

SUNSET DRAINAGE DISTRICT
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Notes to the Financial Statements
As of and for the Year Ended December 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Government-wide accounting (continued)

Under the requirements of GASB Statement No. 34, the District is considered a Phase 3 government, as its total annual revenues are less than \$10 million. Such governments are not required to report major general infrastructure assets retroactively. However, the District does not have these types of capital assets.

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 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.

SUNSET DRAINAGE DISTRICT
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Notes to the Financial Statements
As of and for the Year Ended December 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting (continued)

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.

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

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OF ST. CHARLES PARISH
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Notes to the Financial Statements
As of and for the Year Ended December 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Basis of Accounting / Measurement Focus (continued)

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 a budget for the General Fund for the year ended December 31, 2005 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 not GAAP basis.

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, 2005.

G. Encumbrances

The District does not use encumbrance accounting.

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.

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Notes to the Financial Statements
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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Cash and cash equivalents, and investments (continued)

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.

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OF ST. CHARLES PARISH
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Notes to the Financial Statements
As of and for the Year Ended December 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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	30 years
Equipment	5 – 15 years
Office furniture	5 – 7 years
Vehicles	5 – 15 years

In June of 1999, the Governmental Accounting Standards Board issued Statement No. 34 that requires the inclusion of infrastructure assets used in governmental activities in the general purpose financial statements retroactively reported back to 1982. All assets of the District are reported in the accompanying financial statements. The District owns no infrastructure.

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 and sick 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.

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Notes to the Financial Statements
As of and for the Year Ended December 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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Notes to the Financial Statements
As of and for the Year Ended December 31, 2005

NOTE 2. RESTATEMENT OF BEGINNING NET ASSETS AND FUND BALANCE

Management of the District incorrectly accrued carryovers of accrued compensated absences in prior years. The policy of Sunset Drainage District is that the compensated absences that accrued during the year must be taken during the same year or the employee loses the compensated absences, i.e. the absences cannot roll over into the next year. Therefore, beginning net assets was restated to remove the liability for the accrued compensated absences. This caused beginning net assets to be increased by \$13,027.

Management of the District determined that they do not consider the current year assessment for maintenance taxes to be "available" for current year expenditures on the fund financial statements as was recorded in prior years. Management considers only the amount collected during the current year to be "available" for current year expenditures. Therefore, the beginning fund balance was restated to reflect this change in recognition. The effect of this change caused beginning fund balance to be lowered by \$174,970.

NOTE 3. 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, 2005, 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 Council 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 year. Prior to remitting the taxes, the Tax Collector deducts 14% commission on collected taxes charged by the Tax Collector. In 2005, the expense for the 14%

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Notes to the Financial Statements
As of and for the Year Ended December 31, 2005

NOTE 3. MAINTENANCE TAXES (continued)

commission was \$28,637. 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 2005 was 10,227.37 acres. The following are the principal taxpayers for the district:

<u>Taxpayer</u>	<u>Total Acreage Assessed</u>	<u>Total Tax Assessed</u>	<u>Percentage of Total Acreage Assessed</u>
Texaco, Inc.	8,308	\$ 166,156	81.23%
Sunset Ridge Development, LLC	272	5,443	2.66%
Lemmon, Mary Ann Vial, et als	140	2,800	1.37%
Rivet, Huey J.	115	2,300	1.12%
Sunset Ridge Development, LLC	112	2,232	1.09%
Sunset Ridge Development, LLC	75	1,494	0.73%
Beau Place Estates, LLC	45	904	0.44%
Riviere, Lula Matherne	41	814	0.40%
Oceanic Fleet, Inc.	40	795	0.39%
RJM Enterprises, Inc.	26	512	0.25%
	<u>9,172</u>	<u>\$ 183,450</u>	<u>89.69%</u>

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Notes to the Financial Statements
As of and for the Year Ended December 31, 2005

NOTE 4. GRANT

The St. Charles Parish Council subsidized the operations of the District in the amount of \$124,388 for the fiscal year 2005. 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. During 2005, the Parish Council also paid a one time grant to the District in the amount of \$40,000 to pay for a drainage impact study.

NOTE 5. CASH AND INVESTMENTS

At December 31, 2005, the District's cash and investments consisted of the following:

<u>Cash & Investments</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Credit Risk Category</u>
Cash:					
Checking account	\$ 84,779	\$ 84,779	0.47%	Demand	Category 1
Total Cash	<u>84,779</u>	<u>84,779</u>			
Investments:					
LAMP	1,109	1,109	3.06%	Demand	Not Required
Total Investments	<u>1,109</u>	<u>1,109</u>			
Total Cash & Investments	<u>\$ 85,888</u>	<u>\$ 85,888</u>			

At year-end, the carrying amount of the District's checking account on the books was \$84,779, whereas the related bank balances totaled \$111,182. The difference in the book and bank balances for these checking accounts relates primarily to deposits made and checks written which had not cleared the bank accounts by year-end.

At year-end, the total balances of the District's checking account (bank balances) at the bank totaled \$111,182. The total amount secured by FDIC insurance (Category 1) was \$100,000. The remaining \$11,182 was uninsured but was collateralized by securities pledged by the bank and held for the benefit of the District (also Category 1) thereby eliminating their credit risks.

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

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Notes to the Financial Statements
As of and for the Year Ended December 31, 2005

NOTE 5. CASH AND INVESTMENTS (continued)

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 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.

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Notes to the Financial Statements
As of and for the Year Ended December 31, 2005

NOTE 6. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

	<u>Balance at 12/31/2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/2005</u>
Capital assets not being depreciated:				
Land	\$ 251,728	\$ -	\$ -	\$ 251,728
Total capital assets not being depreciated	<u>251,728</u>	<u>-</u>	<u>-</u>	<u>251,728</u>
Capital assets being depreciated:				
Equipment	634,716	-	-	634,716
Buildings	29,800	8,200	-	38,000
Real Estate improvements	893,579	-	-	893,579
Total capital assets being depreciated	<u>1,558,095</u>	<u>8,200</u>	<u>-</u>	<u>1,566,295</u>
Less: accumulated depreciation	<u>(1,357,304)</u>	<u>(47,607)</u>		<u>(1,404,911)</u>
Total capital assets being depreciated, net	<u>200,791</u>	<u>(39,407)</u>	<u>-</u>	<u>161,384</u>
Total capital assets, net	<u>\$ 452,519</u>	<u>\$ (39,407)</u>	<u>\$ -</u>	<u>\$ 413,112</u>

Depreciation expense for the year was \$47,607.

NOTE 7. INSURANCE CLAIMS

During the year, the District received proceeds from insurance claims two times. One of the claims (\$6,758) was for damage caused by a hailstorm. The other claim (\$379) was for roof damage caused by Hurricane Katrina.

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Notes to the Financial Statements
As of and for the Year Ended December 31, 2005

NOTE 8. 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, 2005, the District contributed \$9,847 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 Plan

Plan Description: In May of 2001, Sunset Drainage District began to offer a Savings Incentive Match Plan (SIMPLE) plan for its 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 \$10,000 a year or \$12,000 if the employee has reached 50 years of age or older. The employee has a choice of various funds that he or she may put his or her money into. 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, 2005, the amount of the employee's portion of the funding is \$19,995. The amount of the employer's portion of the funding was \$4,067 for 2005, \$3,623 for 2004, and \$3,388 for 2003.

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Notes to the Financial Statements
As of and for the Year Ended December 31, 2005

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS

The District provides no other postretirement benefits.

NOTE 10. LEASES

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

NOTE 11. 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 Council's insurance coverage.

NOTE 12. LITIGATION AND CLAIMS

At December 31, 2005, the Fire Department had no litigation or claims pending.

Required Supplemental Information
(Part 2 of 2)

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

**Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual (Non-GAAP Basis)
For the Year ended December 31, 2005**

	Original Budget	Budget	Actual	Variance - with Final Budget Positive (Negative)
Revenues				
Taxes:				
Maintenance taxes	\$ 174,000	\$ 170,696	\$ 170,236	\$ (460)
Other:				
Oil & gas royalties & leases	20,000	28,039	28,039	-
Interest	7,000	737	737	-
Other	2,000	166,852	165,887	(965)
Total revenues	\$ 203,000	\$ 366,324	\$ 364,899	\$ (1,425)
Expenditures				
Current:				
Advertising	\$ 500	\$ -	\$ 69	\$ (69)
Contract labor	25,000	12,776	13,416	(640)
Equipment repair	35,000	43,964	43,959	5
Fuel	30,000	17,100	17,118	(18)
Insurance	30,000	39,289	38,158	1,131
Legal & accounting	30,000	21,073	21,070	3
Material & supplies	15,000	13,948	13,948	-
Miscellaneous	3,000	3,030	2,940	90
Office supplies	500	648	946	(298)
Per diem	4,200	3,835	3,900	(65)
Professional services	2,500	40,000	40,000	-
Salaries	117,588	108,449	108,715	(266)
Secretary/Treasurer	3,000	3,000	3,000	-
Taxes - payroll	6,400	8,346	10,123	(1,777)
SIMPLE expense	3,000	4,061	4,067	(6)
Telephone	2,500	2,184	2,026	158
Utilities	4,200	2,843	3,657	(814)
Capital Outlay	15,000	8,993	8,393	600
Total expenditures	\$ 327,388	\$ 333,539	\$ 335,505	\$ (1,966)
Net change in fund balances	(124,388)	32,785	29,394	541
Beginning of the year	None	None	106,530	
End of the year	None	None	\$ 135,924	

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Notes to Required Supplementary Information
As of and for the Year Ended December 31, 2005

Note 1 - Budgetary Reporting

Sunset Drainage District prepares its budget on the cash basis. Differences between the cash basis of accounting and GAAP basis for fund accounting result from changes in receivables and payables during the year.

Supplemental Information Schedules

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

**Schedule of Compensation Paid to Board Members
For the Year Ended December 31, 2005**

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	15	\$ 975
Harry Zeller, Jr.	65	12	780
Curtis Matherne	65	10	650
Ronald Dufrene	65	10	650
Dale Estay	65	12	<u>780</u>
Total			<u><u>\$ 3,835</u></u>

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
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**Summary Schedule of Prior Year Audit Findings
As of and for the Year Ended December 31, 2004**

Ref. No.

0412-01

Description of Finding

Internal Control Material Weakness. As a material weakness (and reportable condition), 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.

Correction Action Planned

No correction action planned is taken 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 reportable condition noted in audits of small governmental entities. The district's office does not employ enough people in its accounting department to segregate duties.

The reportable condition cannot be remedied in a cost effective manner.

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
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**Corrective Action Plan for Current Year Findings
As of and for the Year Ended December 31, 2005**

Ref. No.

0512-01

Description of Finding

Internal Control Material Weakness. As a material weakness (and reportable condition), 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.

Correction Action Planned

No correction action planned is taken 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 reportable condition noted in audits of small governmental entities. The district's office does not employ enough people in its accounting department to segregate duties.

The reportable condition cannot be remedied in a cost effective manner.

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
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**Corrective Action Plan for Current Year Findings
As of and for the Year Ended December 31, 2005**

Ref. No.

0512-02

Description of Finding

As a material weakness (and reportable condition), the Sunset Drainage District did not maintain appropriate employee accrued leave records. Although the timesheets report leave taken, they do not report beginning and ending accrued leave balances.

Correction Action Planned

The District's Board will record the carryforward beginning accrued leave balances on weekly timesheets and calculate the ending accrued leave balances on those timesheets.

Name of Contact Person

L.J. Frickey, Secretary/Treasurer

Anticipated Completion Date

May 10, 2006

**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
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL**
Paradis, Louisiana

We have audited the financial statements of the governmental activities and the major fund of Sunset Drainage District of St. Charles Parish, component unit of St. Charles Parish, as of and for the year ended December 31, 2005, which collectively comprise the Sunset Drainage District of St. Charles Parish's basic financial statements and have issued our report thereon dated May 5, 2006. 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 Sunset Drainage District of St. Charles Parish's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Sunset Drainage District of St. Charles Parish's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying corrective action plans for current year audit findings as items 0512-01 and 0512-02 of pages 35 and 36.

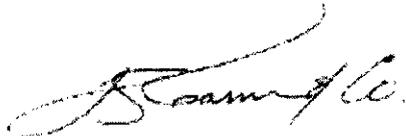
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being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

considered to be material weaknesses. However, we consider both of the reportable conditions described above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sunset Drainage District of St. Charles Parish'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*.

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 5, 2006