

**JOHN K. KELLY
GRAND BAYOU RESERVOIR COMMISSION
COUSHATTA, LOUISIANA**

**ANNUAL FINANCIAL REPORT
DECEMBER 31, 2003**

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 12-1-04

John K. Kelly Grand Bayou Reservoir Commission
Coushatta, Louisiana

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John K. Kelly Grand Bayou Reservoir Commission
P. O. Box 1346
Coushatta, LA 71019

MANAGEMENT'S DISCUSSION AND ANALYSIS
for the Year Ended December 31, 2003

The Management's Discussion and Analysis is an element of the new reporting model adopted by the *Governmental Accounting Standards Board (GASB)* in their Statement No. 34. As this is the first year the Commission will be reporting under this new model, certain comparative information with the previous year, which is by design included in this model, will not be presented in the analysis, as permitted by GASB No. 34 with respect to first year reporting.

Financial Highlights

This annual report consists of a series of new financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances. These statements tell how these services were financed in the short-term as well as what remains for future spending.

A summary of the basic government-wide financial statements is as follows:

Summary of Statement of Net Assets

	Governmental <u>Activities</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 29,138
Receivables	37,358
Prepaid Insurance	<u>9,733</u>
Total Current Assets	\$ <u>76,229</u>
Noncurrent Assets:	
Capital Assets (Net)	\$6,476,994
Meter Deposit	<u>65</u>
Total Noncurrent Assets	\$ <u>6,477,059</u>
Total Assets	\$ <u>6,553,288</u>
LIABILITIES:	
Accounts Payable	\$ 3,773
Accrued Expenses	<u>3,159</u>
Total Liabilities	\$ <u>6,932</u>
NET ASSETS:	
Investment in Capital Assets, Net of Related Debt	\$6,476,994
Unrestricted	<u>69,362</u>
Total Net Assets	\$ <u>6,546,356</u>

Summary of Statement of Activities

	Governmental <u>Activities</u>
REVENUES:	
General Revenues:	
Charge for Services & User Fees	\$261,501
State Appropriations	220,777
Other	<u>1,337</u>
Total Revenues	\$483,615
EXPENDITURES:	
Operating	<u>517,517</u>
Change in Net Assets	\$(33,902)

General Fund Budgetary Highlights

The Commission did not approve a General Fund budget during the year.

Contacting the Commission

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to the Commission at P. O. Box 1346, Coshatta, LA 71019.

Johnson, Thomas & Cunningham
Certified Public Accountants

Eddie G. Johnson, CPA – A Professional Corporation (1962-1996)

Mark D. Thomas, CPA – A Professional Corporation
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INDEPENDENT AUDITORS' REPORT

To the Commissioners of the
John K. Kelly Grand Bayou Reservoir Commission
P. O. Box 1346
Coushatta, LA 71019

We have audited the accompanying financial statements of the governmental activities and major fund of the John K. Kelly Grand Bayou Reservoir Commission as of and for the year ended December 31, 2003, which collectively comprise the Commission's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the John K. Kelly Grand Bayou Reservoir Commission. Our responsibility is to express an opinion 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 U. S. General Accounting Office and the *Louisiana Governmental Audit Guide*. 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 opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the John K. Kelly Grand Bayou Reservoir Commission, as of December 31, 2003, and the respective changes in the financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the financial statements, the John K. Kelly Grand Bayou Reservoir Commission adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. This results in a change in the format and content of the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 27, 2004, on our consideration of the John K. Kelly Grand Bayou Reservoir Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 1 through 4 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. The Commission did not adopt a budget for the year 2003; therefore the Budgetary Comparison Schedule is not presented. We have applied certain limited procedures, which consisted principally of *inquires of management* regarding the methods of measurement and presentation of the other required supplementary information. However, we did not audit the information and express no opinion on it.

Johnson, Thomas & Cunningham

Johnson, Thomas & Cunningham, CPA's

October 27, 2004

Natchitoches, Louisiana

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

John K. Kelly Grand Bayou Reservoir Commission
Statement of Net Assets
December 31, 2003

	Governmental <u>Activities</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 29,138
Receivables	37,358
Prepaid Insurance	<u>9,733</u>
Total Current Assets	\$ <u>76,229</u>
Noncurrent Assets:	
Capital Assets (Net)	\$6,476,994
Meter Deposit	<u>65</u>
Total Noncurrent Assets	\$ <u>6,477,059</u>
Total Assets	\$ <u>6,553,288</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 3,773
Accrued Expenses	<u>3,159</u>
Total Liabilities	\$ <u>6,932</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	\$6,476,994
Unrestricted	<u>69,362</u>
Total Net Assets	\$ <u>6,546,356</u>
Total Liabilities and Net Assets	\$ <u>6,553,288</u>

See notes to financial statements.

John K. Kelly Grand Bayou Reservoir Commission
Statement of Activities
December 31, 2003

<u>Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
Recreation-					
Personnel &					
Related Expenditures	\$113,208	\$ 0	\$ 0	\$0	\$ (113,208)
Utilities	40,815	0	0	0	(40,815)
Repair & Maintenance	13,617	0	0	0	(13,617)
Operations	<u>349,877</u>	<u>261,501</u>	<u>220,777</u>	<u>0</u>	<u>132,401</u>
Total Governmental Activities	<u>\$517,517</u>	<u>\$(261,501)</u>	<u>\$(220,777)</u>	<u>\$0</u>	<u>\$ (35,239)</u>
General Revenues:					
					<u>1,337</u>
					Change in Net Assets \$ (33,902)
					Net Assets December 31, 2002 (Restated - See note 2) <u>6,580,258</u>
					Net Assets December 31, 2003 <u>\$6,546,356</u>

See notes to financial statements.

FUND FINANCIAL STATEMENTS

John K. Kelly Grand Bayou Reservoir Commission
Balance Sheet-Governmental Funds
December 31, 2003

	<u>Major Fund</u> General Fund	<u>Nonmajor Fund</u> Capital Projects	Total Governmental Funds
ASSETS:			
Cash	\$29,138	\$0	\$29,138
Receivables	37,358	0	37,358
Prepaid Insurance	9,733	0	9,733
Meter Deposits	<u>65</u>	<u>0</u>	<u>65</u>
Total Assets	<u>\$76,294</u>	<u>\$0</u>	<u>\$76,294</u>
LIABILITIES:			
Accounts Payable	\$ 3,773	\$0	\$ 3,773
Accrued Expenses	<u>3,159</u>	<u>0</u>	<u>3,159</u>
Total Liabilities	<u>\$ 6,932</u>	<u>\$0</u>	<u>\$ 6,932</u>
FUND BALANCES:			
Unreserved	<u>\$69,362</u>	<u>\$0</u>	<u>\$69,362</u>
Total Liabilities & Fund Balances	<u>\$76,294</u>	<u>\$0</u>	<u>\$76,294</u>

See notes to financial statements.

John K. Kelly Grand Bayou Reservoir Commission
Reconciliation of the Governmental Fund
Balance Sheet to the Statement of Net Assets
December 31, 2003

Total Fund Balance for the Governmental Fund
at December 31, 2003 \$ 69,362

Total Net Assets reported for Governmental Activities
in the Statement of Net Assets is different because:

Capital Assets used in Governmental Activities are not
financial resources and, therefore, are not reported
in the fund. Those assets consist of:

Land, Equipment, Buildings, and Vehicles,
Net of Accumulated Depreciation 6,476,994

Total Net Assets of Governmental Activities
at December 31, 2003 \$6,546,356

See notes to financial statements.

John K. Kelly Grand Bayou Reservoir Commission
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
December 31, 2003

	<u>Major Fund</u>	<u>Nonmajor Fund</u>	Total
	General	Capital	Governmental
	<u>Fund</u>	<u>Projects</u>	<u>Funds</u>
Revenues:			
Intergovernmental-			
State Appropriations	\$ 220,777	\$ 0	\$ 220,777
Fees, Charges &			
Commissions for Services:			
Rental Income	148,916	0	148,916
RV Park	62,931	0	62,931
Gate Receipts	48,890	0	48,890
Gift Shop Receipts	764	0	764
Other Income	<u>1,337</u>	<u>0</u>	<u>1,337</u>
Total Revenues	<u>\$ 483,615</u>	<u>\$ 0</u>	<u>\$ 483,615</u>
Expenditures:			
Advertising	\$ 2,735	\$ 0	\$ 2,735
Capital Outlays	1,525	0	1,525
Contract Labor	6,350	0	6,350
Credit Card Commissions	520	0	520
Dues	210	0	210
Fuel & Oil	2,873	0	2,873
Insurance	33,618	0	33,618
Janitorial Services	35,670	0	35,670
Legal & Accounting	32,650	0	32,650
Miscellaneous	382	0	382
Office Supplies	6,969	0	6,969
Pest Control	2,491	0	2,491
Payroll Taxes	11,180	0	11,180
Repairs & Maintenance	13,617	0	13,617
Salaries	99,119	0	99,119
Security	720	0	720
Supplies	9,998	0	9,998
Telephone	4,728	0	4,728
Utilities	32,716	0	32,716
Waste Management	3,371	0	3,371
Workman's Compensation	<u>2,909</u>	<u>0</u>	<u>2,909</u>
Total Expenditures	<u>\$ 304,351</u>	<u>\$ 0</u>	<u>\$ 304,351</u>

Continued next page.

John K. Kelly Grand Bayou Reservoir Commission
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds (continued)
December 31, 2003

	<u>Major Fund</u> General <u>Fund</u>	<u>Nonmajor Fund</u> Capital <u>Projects</u>	Total Governmental <u>Funds</u>
Excess (Deficiency) of Revenues over Expenditures	\$ 179,264	\$ 0	\$ 179,264
Fund Balance-Beginning of Year	(110,380)	478	(109,902)
Equity Transfers	<u>478</u>	<u>(478)</u>	<u>0</u>
Fund Balance-End of Year	<u>\$ 69,362</u>	<u>\$ 0</u>	<u>\$ 69,362</u>

See notes to financial statements.

John K. Kelly Grand Bayou Reservoir Commission
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of the Governmental Funds
to the Statement of Activities
for the Year Ended December 31, 2003

Total Net Change in Fund Balance at December 31, 2003, per Statement of Revenues, Expenditures and Changes in Fund Balance	\$179,264
The Change in Net Assets reported for Governmental Activities in the Statement of Activities is different because:	
ADD: Capital Outlay costs which are considered expenditures on the Statement of Revenues, <i>Expenditures and Change in Fund Balance</i> are shown as increases in assets in the Statement of Activities	1,525
LESS: Governmental Funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense for the year ended December 31, 2003.	<u>(214,691)</u>
Total changes in Net Assets at December 31, 2003, per Statement of Activities	\$ <u>(33,902)</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

John K. Kelly Grand Bayou Reservoir Commission
Notes to Financial Statements
December 31, 2003

Introduction:

The John K. Kelly Grand Bayou Reservoir Commission, originally named the Black Lake Bayou Recreation and Water Conservation District of Red River Parish, was established by Act 474 of 1958; RS 38:2701. The Commission consists of Wards 1 and 2 of Red River Parish with the purpose of development of the wealth and natural resources of the Commission by the conservation of soil and water for agricultural, recreational, commercial, industrial, and sanitary purposes. The John K. Kelly Grand Bayou Reservoir Commission is governed and controlled by a board of seven (7) commissioners appointed by the governor for five (5) year terms. Members of the board of commissioners receive no compensation for their services.

1. Summary of Significant Accounting Policies:

A. REPORTING ENTITY-

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

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

1. Appointing a voting majority of an organization's governing body and
 - a. The ability of the police jury to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

John K. Kelly Grand Bayou Reservoir Commission
Notes to Financial Statements
December 31, 2003

The Commission constitutes an agency of the State of Louisiana with the authority to cooperate with the State of Louisiana or any political subdivision, department agency or corporation for the construction, operation and maintenance of facilities designed to accomplish the purpose for which the Commission is created on any basis including the matching of funds and by participating in projects authorized by any federal or state law.

Based on the application of their criteria described above, the John K. Kelly Grand Bayou Reservoir Commission was determined not to be a component unit of any other financial reporting entity. The financial statements of the John K. Kelly Grand Bayou Reservoir Commission consist only of the funds and account groups of the Commission since the Commission has no financial accountability or oversight responsibility for any other governmental entity.

B. BASIS OF PRESENTATION-

Government-Wide Financial Statements (GWFS)

The Statement of Net Assets and Statement of Activities report information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function. Program revenues include (a) fees and charges paid by the recipient for goods or services offered by the program, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

C. FUND ACCOUNTING-

The accounts of the Commission are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

John K. Kelly Grand Bayou Reservoir Commission
Notes to Financial Statements
December 31, 2003

The Commission has two funds, and they are categorized as governmental funds. The emphasis on fund financial statements is on major governmental and enterprise funds; each displayed in a separate column. A fund is considered major if it is the primary operating fund of the entity or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the Commission are described below:

Governmental Fund-

1. *General Fund* – is the general operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. Permit fees and other sources of revenue used to finance the fundamental operations of the Commission are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.
2. *Capital Projects Fund* - to account for financial resources received and used for the acquisition, construction or improvement of capital facilities not reported in the other governmental funds.

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING-

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

Measurement Focus-

On the government-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resources measurement focus as defined in item b. below.

John K. Kelly Grand Bayou Reservoir Commission
Notes to Financial Statements
December 31, 2003

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement is used as appropriate.

- a. The governmental fund utilizes a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on the balance sheet. The operating statement presents sources and uses of available spendable financial resources during a given period. This fund uses fund balance as its measure of available spendable financial resources at the end of the period.
- b. The government-wide financial statement utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost of recovery) and financial position. All assets and liabilities (whether current or noncurrent) associated with its activities are reported. Government-wide fund equity is classified as net assets.

Basis of Accounting-

In the government-wide Statement of Net Assets and Statement of Activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

E. CASH AND INTEREST-BEARING DEPOSITS-

For purposes of the Statement of Net Assets, cash and interest-bearing deposits include all demand accounts of the Commission.

John K. Kelly Grand Bayou Reservoir Commission
Notes to Financial Statements
December 31, 2003

F. CAPITAL ASSETS-

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Commission maintains a threshold level of \$1,000 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of that asset or materially extend the life of that asset are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of useful lives by type of asset is as follows:

Buildings and improvements	40 years
Equipment and vehicles	3-10 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

G. EQUITY CLASSIFICATIONS-

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation.
- c. Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

John K. Kelly Grand Bayou Reservoir Commission
Notes to Financial Statements
December 31, 2003

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

H. ESTIMATES-

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenue, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

I. BUDGET-

Prior to the beginning of each fiscal year, the Commission adopts a budget for the next fiscal year. The budget is open for public inspection. All budgetary appropriations lapse at the end of the fiscal year. The budget is prepared on the modified accrual basis of accounting. For the year ending December 31, 2003, the Commission did not approve a budget.

2. Change in Accounting Principles:

For the year ended December 31, 2003, the Commission has implemented GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. GASB No. 34 creates new basic financial statements for reporting on the Commission's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting, and fund financial statements which present information for individual major funds rather than by fund type which has been the mode of presentation in previously issued financial statements.

The implementation of GASB No. 34 caused the opening fund balance at December 31, 2002, to be restated in terms of "net assets" as follows:

Total fund balance-Governmental Fund at December 31, 2002		\$ (109,902)
Add: Cost of capital assets at December 31, 2002	\$ 7,964,807	
Less: Accumulated Depreciation at December 31, 2002	(1,274,647)	<u>6,690,160</u>
Net Assets at December 31, 2002		<u>\$6,580,258</u>

John K. Kelly Grand Bayou Reservoir Commission
Notes to Financial Statements
December 31, 2003

3. Cash and Cash Equivalents:

For reporting purposes, cash and cash equivalents include demand deposits, time deposits, and certificates of deposit. At December 31, 2003, the Commission had cash and cash equivalents (collected bank balances) totaling \$31,020. Cash and cash equivalents are stated at cost, which approximates market. Under Louisiana law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. These pledged securities are held in the name of the pledging bank in a holding or custodial bank in the form of safekeeping receipts held by the Commission. The deposits at December 31, 2003, were secured as follows:

Demand Deposits	\$ 31,020
FDIC	<u>(31,020)</u>
Uninsured	\$ <u> 0</u>

4. Compensated Absences:

On December 31, 2003, the Commission did not have a formal leave policy in effect and there was no accumulated leave at year end. Therefore, no entry is made for compensated absences.

5. Fund Equity:

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations.

6. Capital Assets:

Capital asset balances and activity for the year ended December 31, 2003, is as follows:

<u>Governmental Activities</u>	<u>Balance 01-01-03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12-31-03</u>
Capital Assets Not Depreciated:				
Land	\$ <u>93,000</u>	\$ <u> 0</u>	\$ <u>0</u>	\$ <u>93,000</u>
Capital Assets Depreciated:				
Maintenance Equipment	\$ 150,000	\$ 1,525	\$ 0	\$ 151,525
Cabins	1,600,000	0	0	1,600,000
Building & RV Park	<u>6,121,807</u>	<u> 0</u>	<u>0</u>	<u>6,121,807</u>
Total Assets Depreciated	<u>\$7,871,807</u>	<u>\$ 1,525</u>	<u>\$0</u>	<u>\$7,873,332</u>
Total Assets	<u>\$7,964,807</u>	<u>\$ 1,525</u>	<u>\$0</u>	<u>\$7,966,332</u>

John K. Kelly Grand Bayou Reservoir Commission
Notes to Financial Statements
December 31, 2003

<u>Governmental Activities</u>	<u>Balance 01-01-03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12-31-03</u>
Less, Accumulated Depreciation:				
Maintenance Equipment	\$ 116,376	\$ 21,646	\$0	\$ 138,022
Cabins	240,000	40,000	0	280,000
Building & RV Park	<u>918,271</u>	<u>153,045</u>	<u>0</u>	<u>1,071,316</u>
Total Depreciation	<u>\$1,274,647</u>	<u>\$ 214,691</u>	<u>\$0</u>	<u>\$1,489,338</u>
Net Capital Assets	<u>\$6,690,160</u>	<u>\$(213,166)</u>	<u>\$0</u>	<u>\$6,476,994</u>

Depreciation expense of \$214,691 was charged to the recreation function.

7. Pension Plans:

All employees of the John K. Kelly Grand Bayou Reservoir Commission are covered by the Social Security System. Employees contribute 6.2 percent of their total salary to the System, while the Commission contributes a like amount. For the year ended December 31, 2003, total contributions to the System were \$12,290, of which the Commission contributed \$6,145 and employees contributed \$6,145. Total payroll for the year ended December 31, 2003, was \$99,119 and total payroll covered by the system was \$99,119. Any future deficit in this System will be financed by the United States Government.

8. Litigation and Claims:

Management has advised that there is no litigation pending against the John K. Kelly Grand Bayou Reservoir Commission at December 31, 2003.

9. Receivables:

The following is summary of receivables at December 31, 2003:

<u>Class of Receivable</u>	<u>General Fund</u>
State Appropriation	\$37,211
Other Receivable	<u>147</u>
Total	<u>\$37,358</u>

Substantially all receivables are considered to be fully collectable, and no allowance for uncollectables is used.

Johnson, Thomas & Cunningham
Certified Public Accountants

Eddie G. Johnson, CPA – A Professional Corporation (1962-1996)

Mark D. Thomas, CPA – A Professional Corporation
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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Commissioners of the
John K. Kelly Grand Bayou Reservoir Commission
P. O. Box 1346
Coushatta, LA 71019

We have audited the financial statements of the John K. Kelly Grand Bayou Reservoir Commission as of and for the year ended December 31, 2003, and have issued our report thereon dated October 27, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the “*Louisiana Governmental Audit Guide*”.

Compliance

As part of obtaining reasonable assurance about whether the John K. Kelly Grand Bayou Reservoir Commission’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as items 03-1 through 03-2.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the John K. Kelly Grand Bayou Reservoir Commission’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the John K. Kelly Grand Bayou Reservoir Commission’s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 03-3 through 03-6.

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

This report is intended solely for the information and use of management, others within the organization, Commission members, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Johnson, Thomas & Cunningham

Johnson, Thomas & Cunningham, CPA's

October 27, 2004
Natchitoches, Louisiana

John K. Kelly Grand Bayou Reservoir Commission

Schedule of Findings and Questioned Costs

Year Ended December 31, 2003

Compliance-

- 03-1 *Condition* – Louisiana Revised Statutes require that an audit report be submitted within six months after the year end of the fiscal year. The report was due not later than June 30, 2004. The report was late because of the Commission's inability to provide the necessary financial records and documentation needed for the audit within the six month period.

Recommendation – The Commission should establish policies to ensure that all necessary financial records and documentation are provided to the auditor within 45 days after the end of the fiscal year.

Management's Response – Management has elected to respond at a later date.

- 03-2 *Condition* – For the year ending December 31, 2003, the Commission did not have an approved budget as required by Louisiana Revised Statutes 39:1301-1314.

Recommendation – The Commission should comply with the Local Government Budget Act.

Management's Response – Management has elected to respond at a later date.

Internal Control-

- 03-3 *Condition* – For the year ending December 31, 2003, the Commission did not always reconcile bank statements. At the end of the year, cash was not reconciled with bank statements.

Recommendation – The Commission should establish procedures to ensure that cash is reconciled on a monthly basis.

Management's Response – Management has elected to respond at a later date.

- 03-4 *Condition* – The Commission uses a manual system to compute payroll. For the year ended December 31, 2003, there was no proper documentation to support payroll transactions.

Recommendation – The Commission should establish procedures that payroll time cards are properly maintained and an employee pay record reflecting all payroll transactions are maintained.

Management's Response – Management has elected to respond at a later date.

John K. Kelly Grand Bayou Reservoir Commission

Schedule of Findings and Questioned Costs (continued)

Year Ended December 31, 2003

03-5 *Condition* – For the year ending December 31, 2003, the minute book was incomplete. There were many months for which minutes were not present. We were unable to determine whether these meetings were held, canceled, or no quorum was present to conduct business.

Recommendation – The Commission should ensure that each scheduled meeting has appropriate minutes recorded in the minute book, even if the meeting was canceled or no quorum was present to conduct business.

Management's Response – Management has elected to respond at a later date.

03-6 *Condition* – For the year ending December 31, 2003, the Commission had overstated sales on the sales tax returns. Total sales on the sales tax returns included both sales and sales taxes collected by the Commission, which caused sales and sales taxes to be overstated.

Recommendation – The Commission should recalculate sales and sales taxes for the year and, where applicable, amend previously filed sales tax returns.

Management's Response – Management has elected to respond at a later date.

John K. Kelly Grand Bayou Reservoir Commission

Schedule of Prior Year Audit Findings
Year Ended December 31, 2003

Compliance Findings-

02-1 Underbudgeted Transfers

Condition – Actual transfers to the general fund were \$51,800 (100%) less than budgeted amounts in 2002.

Current Status – No budget existed in 2003, which is reported as finding number 03-2.