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**Gravity Drainage District No. 6
of the Parish of St. Mary
State of Louisiana**

**Report on Examination of
Financial Statements**

**For the Years Ended
September 30, 1999 and 1998**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 MAR 07 2000

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Gravity Drainage District No. 6
Parish of St. Mary
Amelia, Louisiana

We have audited the accompanying general purpose financial statements of Gravity Drainage District No. 6, a component unit of the Parish of St. Mary, State of Louisiana, as of and for the years ended September 30, 1999 and 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of Gravity Drainage District No. 6's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *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 general purpose 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 general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Gravity Drainage District No. 6, a component unit of the Parish of St. Mary, State of Louisiana, as of September 30, 1999 and 1998, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2000, on our consideration of Gravity Drainage District No. 6's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

LeBlanc and Carpenter

February 18, 2000
Morgan City, Louisiana

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

Combined Balance Sheet - All Fund Types and Account Groups

September 30, 1999

	<u>Governmental</u> <u>Fund</u>	<u>Account</u> <u>Group</u>	<u>Totals</u> <u>(Memorandum Only)</u>	
	<u>Operation &</u> <u>Maintenance</u>	<u>General</u> <u>Fixed Assets</u>	<u>1999</u>	<u>1998</u>
ASSETS				
Cash	\$ 50,951	\$ --	\$ 50,951	\$ 64,203
Investments, at cost	205,035	--	205,035	103,954
Receivables				
Ad valorem taxes	113,877	--	113,877	115,736
Meter deposits	210	--	210	210
Drainage property, equipment & improvements	<u> --</u>	<u>966,831</u>	<u>966,831</u>	<u>944,446</u>
TOTAL ASSETS	<u>\$370,073</u>	<u>\$966,831</u>	<u>\$1,336,904</u>	<u>\$1,228,549</u>
LIABILITIES				
Accounts payable	<u>\$ 1,260</u>	<u>\$ --</u>	<u>\$ 1,260</u>	<u>\$ 6,246</u>
TOTAL LIABILITIES	<u>1,260</u>	<u>--</u>	<u>1,260</u>	<u>6,246</u>
FUND BALANCE				
Fund balance	368,813	--	368,813	277,857
Investment in fixed assets	<u> --</u>	<u>966,831</u>	<u>966,831</u>	<u>944,446</u>
TOTAL FUND BALANCE	<u>368,813</u>	<u>966,831</u>	<u>1,335,644</u>	<u>1,222,303</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$370,073</u>	<u>\$966,831</u>	<u>\$1,336,904</u>	<u>\$1,228,549</u>

See accompanying notes to the financial statements.

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

Operation and Maintenance Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual

For the year ending September 30, 1999
with comparative actual amounts for
the year ended September 30, 1998

	9-30-99			9-30-98
	Budget	Actual	Favorable (Unfavorable)	Actual
REVENUES				
Ad valorem taxes	\$ 105,000	\$146,922	\$ 41,922	\$142,815
Interest income	3,500	5,312	1,812	8,753
Parish Council grant	--	25,000	25,000	--
TOTAL REVENUES	<u>108,500</u>	<u>177,234</u>	<u>68,734</u>	<u>151,568</u>
EXPENDITURES				
Accounting and secretary	4,100	4,190	(90)	3,495
Advertise, publish	750	729	21	517
Audit fees	3,400	3,400	--	3,400
Election expenses	--	26	(26)	769
Engineering	3,000	1,200	1,800	3,329
Fuel	17,000	4,971	12,029	10,317
Insurance	10,000	11,375	(1,375)	8,059
Legal	--	--	--	--
Office expense	300	357	(57)	131
Per diem allowance	11,700	7,735	3,965	4,615
Pump operation contractors	21,000	21,000	--	21,000
Repairs and maintenance				
Drainage equipment	12,000	3,565	8,435	5,172
Drainage system	21,000	2,538	18,462	335
Utilities	3,500	2,807	693	3,308
Drainage System Improvements				
Construction costs	<u>160,000</u>	<u>22,385</u>	<u>137,615</u>	<u>76,535</u>
TOTAL EXPENDITURES	<u>267,750</u>	<u>86,278</u>	<u>181,472</u>	<u>140,982</u>
Excess (deficiency) of revenues over expenditures	(159,250)	90,956	250,206	10,586
Appropriation of Fund Balance-Cash Reserves	<u>159,250</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund balance at beginning of year	<u>277,857</u>	<u>277,857</u>	<u>--</u>	<u>267,271</u>
Fund balance at end of year	<u>\$ 118,607</u>	<u>\$368,813</u>	<u>\$250,206</u>	<u>\$277,857</u>

See accompanying notes to financial statements.

GRAVITY DRAINAGE DISTRICT NO. 6
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 1999

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GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

Notes to Financial Statements

September 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Gravity Drainage District No. 6 was created and established pursuant to the provisions of an ordinance adopted by the St. Mary Parish Police Jury, in compliance with the provisions of Louisiana Revised Statutes. The District is managed by five board of commissioners as appointed by the St. Mary Parish Council. The District has full power and authority to drain lands in the district by construction, maintenance and operation of gravity and/or forced drainage facilities, including drains, drainage canals, ditches, pumps and pumping plants, dikes, levees and other related works.

The general purpose financial statements of Gravity Drainage District No. 6 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of certain significant accounting policies and practices.

Reporting Entity

GASB Statement No. 14, *Governmental Reporting Entity*, establishes criteria for determining which organizations should be included in a governmental financial reporting entity. The focal point for defining the financial reporting entity is the primary government. The Gravity Drainage District No. 6 is a component unit of the St. Mary Parish Council (primary government) and, as such, these financial reports may be included in the CAFR of the Council for the year ended December 31, 1999. The Gravity Drainage District No. 6 has followed GASB-14 guidance to determine that there are no financial statements of other organizations that should be combined with their statements to form a financial reporting entity.

Fund Accounting

The District reports its financial position and results of operations by using funds and accounts groups. Each fund is a separate accounting entity with self-balancing accounts that include assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. An account group is a self-balancing set of accounts used for financial reporting purposes to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

The funds are grouped by fund type and classified into three broad fund categories: governmental, proprietary and fiduciary. There are two account groups. The funds and accounts groups presented in these financial statements are described below.

GOVERNMENTAL FUNDS are accounted for on a current financial resources measurement focus. The balance sheets generally contain only current assets and current liabilities. The reported fund balance (net current assets) is a measure of "available spendable resources." Governmental funds' operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) of net current assets during a period.

The OPERATION AND MAINTENANCE FUND is the general operating and administrative fund of the District. It accounts for all financial resources except those required to be accounted for in another fund or account group.

The GENERAL FIXED ASSETS ACCOUNT GROUP is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

Basis of Accounting

The modified accrual basis of accounting is used by all governmental funds types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (that is, when they become both measurable and available). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers ad valorem taxes as available based on a one-year availability period after year-end.

Expenditures are recorded when the related fund liability is incurred.

Budgets and Budgetary Accounting

The Gravity Drainage District No. 6 follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgetary integration is employed as a management control device during the year for the Operations and Maintenance fund. The budget is prepared and adopted on a

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting (Continued)

basis consistent with generally accepted accounting principles (GAAP), which for the operations and maintenance fund is the modified accrual basis of accounting.

- b. The Operations and Maintenance Fund Statement of Income, Expenses, and Changes in Fund Balances - Budget and Actual present comparisons of legally adopted budgets with actual data on a budgetary basis.
- c. The District approves and adopts total budget revenue and expenditures only. The District transfers budget amounts between expenditure classifications within the Operations and Maintenance Fund. Therefore, the level of budgetary responsibility is by total expenditures; however, for report purposes, this level has been expanded to classifications of expenditures. Unused appropriations lapse at the end of the year.

Cash and Investments

The District maintains and controls cash and investments accumulated in the Operation and Maintenance Fund (governmental fund). State statutes authorize the District to invest temporarily idle monies in excess of immediate cash needs. State statutes authorize the District to invest in direct obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of principal and interest of such obligations is fully guaranteed by the United States; obligations of U.S. government instrumentalities which are federally sponsored; direct security repurchase agreements of obligations of the U.S. Treasury or U.S. government instrumentalities; time certificates of deposit or savings accounts; and mutual or trust fund institutions which have underlying investments consisting solely of and limited to securities of the United States government or its agencies; Louisiana Asset Management Pool (LAMP); and any other investment allowed by state statute for local governments.

Fixed Assets

All items of property, plant and equipment are recorded in the general fixed assets group of accounts. Such assets are maintained on the basis of original cost or estimated cost (cash paid plus trade-in allowance, if applicable). No depreciation has been provided on general fixed assets.

Bad Debts

Uncollectible amounts due for ad valorem taxes are recognized as bad debts in the year they are deemed uncollectible. The failure to utilize the allowance method to account for bad debts is not material to the financial statements. Uncollectible ad valorem taxes are netted against current year tax revenues.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Total Column on Combined Balance Sheet

The total column on the Combined Balance Sheet is captioned Memorandum Only to indicate it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE B - RECEIVABLES

Ad valorem taxes receivable consisted of \$113,877 and \$115,736 remaining to be collected from the taxpayers as of September 30, 1999 and September 30, 1998, respectively.

NOTE C - DEPOSITS AND INVESTMENTS

DEPOSITS

Included in cash and investments are amounts in demand deposit accounts and money market accounts and time certificates of deposit. At September 30, 1999, the District has cash and investments totaling \$255,986, as follows:

Cash in demand deposits	\$ 50,951
Time certificates of deposits	150,217
Money market account	<u>54,818</u>
Total	<u>\$255,986</u>

These deposits are stated at cost, which approximates market. The time certificates of deposit are at three different banks and are short-term investments with maturities of six months or less. Under state law, these deposits (or the resulting bank balances) must be secured by \$100,000 FDIC/FSLIC federal deposit insurance or the market value of pledged securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At September 30, 1999, The District had \$201,168 in deposits (collected bank balances). These deposits are secured from risk by \$201,168 in federal deposit insurance (GASB Category 1).

The \$54,818 held in the Edward D. Jones money market mutual fund account is protected up to \$500,000 by the Securities Investor Protection Corporation, a non-profit corporation created by Congress that receives revenues from the broker-dealers who are required by law to be SIPC members. SIPC provides protection in the event that Edward D. Jones fails financially and is unable to meet its obligations to its customers. SIPC protection does not

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

cover any decreases in the net asset value of the shares of the money market mutual fund produced by market fluctuations. Accordingly, the District is at risk for any amounts held in the money market mutual fund. As of December 31, 1999, the Daily Passport Cash Trust's portfolio included about 58% of securities which were direct U.S. Treasury obligations and obligations of other U.S. government agencies.

The District's mutual fund investments have not been assigned a category of credit risk similar to the other investments because this type of investment is not evidenced by securities that exist in physical or book entry form.

NOTE D - BOARD OF COMMISSIONERS AND PER DIEM ALLOWANCE

As of September 30, 1999 or during the period then ended, the following individuals served on the Board of Commissioners and received per diem allowances as scheduled.

<u>Name</u>	<u>Months of Service</u>	<u>Per Diem Received</u>
Leroy Breaux	12	\$1,560
Joseph D. Venable	12	\$1,560
Elmer Singleton, Jr.	12	\$1,495
Edward Thomas	12	\$1,560
Ronald Deshotel	12	<u>\$1,560</u>
		<u>\$7,735</u>

Monthly per diem for attending board meetings is \$65.00 for each board member. There were twelve special or emergency meetings held during the year, primarily regarding maintenance projects and equipment acquisitions.

NOTE E - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>Balance</u> <u>9-30-98</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance</u> <u>9-30-99</u>
Drainage property, equipment and improvements	<u>\$944,446</u>	<u>\$ 22,385</u>	<u>\$ --</u>	<u>\$966,831</u>
Total General Fixed Assets	<u>\$944,446</u>	<u>\$ 22,385</u>	<u>\$ --</u>	<u>\$966,831</u>

NOTE E - CHANGES IN GENERAL FIXED ASSETS (Continued)

A summary of sources of investment in general fixed assets follows:

	<u>Balance</u> <u>9-30-98</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance</u> <u>9-30-99</u>
Operation & Maintenance Fund	\$659,662	\$ 22,385	\$ --	\$682,047
Donations-General Public	194,068	--	--	194,068
Donations-St. Mary Parish Council	<u>90,716</u>	<u>--</u>	<u>--</u>	<u>90,716</u>
Total Investment In General Fixed Assets	<u>\$944,446</u>	<u>\$ 22,385</u>	<u>\$ --</u>	<u>\$966,831</u>

All drainage system property, equipment and improvements are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

The St. Mary Parish Police Jury has made several grants to the Gravity Drainage District No. 6 for construction, improvement and maintenance of the drainage system. These appropriations were not specifically designated to fixed asset projects but the majority of the funds were used for these fixed asset projects. Grants received from the Police Jury totaled \$194,068 at September 30, 1999 and at September 30, 1998. Also the Police Jury donated drainage equipment with an estimated value of \$64,716. In 1996, St. Mary Parish Council donated land valued at \$26,000 to the District to be utilized for construction of storage building for various pumps and equipment.

Other donated assets include a complete drainage system consisting of canals, levees, pumping station pumps, highway crossing, bulkheading, outfall canals and engineering fees costing \$126,837 to the organization who turned them over to Gravity Drainage District No. 6 to be operated and maintained. Also, other drainage equipment totaling \$29,231 was purchased by individuals or businesses of the community and donated to Gravity Drainage District No. 6. During 1992, two used 48" pumps and engines with a cost of \$35,000 were donated to the District by a local business.

NOTE F - YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the District's operations.

NOTE F - YEAR 2000 ISSUE (Continued)

Gravity Drainage District No. 6 has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting the District's operations:

- Ad valorem tax assessment, collection, and remittance for the District is handled by St. Mary Parish Assessor and St. Mary Parish Sheriff, respectively. The Assessor and Sheriff are responsible for remediating their systems, and are solely responsible for any costs associated with these projects. The Assessor and Sheriff have completed the remediation process on their systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.

NOTE G - AD VALOREM TAXES AND MAINTENANCE MILLAGE ASSESSMENT

On October 3, 1998, a proposition to levy a 7.75 mills tax on all property subject to taxation in said Gravity Drainage No. 6 passed. The tax levy will be for a period of ten years beginning with the year 1998, ending with the year 2007, for the purpose of constructing, maintaining, improving, and operating the gravity and forced drainage works for the District.

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the District in September or October and are actually billed to taxpayers in November or December. Billed taxes become delinquent on January 1 of the following year. The St. Mary Parish Sheriff bills and collects property taxes for the District using the assessed values determined by the tax assessor of St. Mary Parish. District property tax revenues are budgeted in the year billed.

For the year ended September 30, 1999, 7.75 mills were authorized and dedicated as follows:

Gravity drainage system maintenance and improvements 7.75 mills.

GRAVITY DRAINAGE DISTRICT NO. 6
OF THE
PARISH OF ST. MARY
STATE OF LOUISIANA

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

PERIODS ENDED SEPTEMBER 30, 1999 AND 1998

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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 Board of Commissioners
Gravity Drainage District No. 6
Parish of St. Mary
Amelia, Louisiana

We have audited the general purpose financial statements of Gravity Drainage District No. 6, as of and for the years ended September 30, 1999 and 1998, and have issued our report thereon dated February 18, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Gravity Drainage District No. 6's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. There were no prior year audit findings.

We noted certain immaterial instances of noncompliance that we have reported to the management of Gravity Drainage District No. 6 in a separate letter dated February 18, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gravity Drainage District No. 6's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. 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 Gravity Drainage District No. 6's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

Our examination disclosed that there is very little segregation of duties within the District's accounting function, particularly in the areas of cash receipts, bank reconciliations, cash disbursements, general ledger and journal entries. This weakness is due to the fact that the District employs only one person in the bookkeeping function. Due to the lack of segregation of duties, possible errors or irregularities could occur in the accounting records and not be detected. Understandably, due to the limited number of accounting personnel, the most ideal system of internal control or the most desirable accounting system may not be practicable. Also, the cost of additional employees might exceed any benefits gained. The management of the District is well aware of the loss of internal control that results with their limited staff and are constantly on watch for any problems that would arise.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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 believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the Board of Commissioners (management), St. Mary Parish Council, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

LeBlanc and Carpenter

February 18, 2000
Morgan City, Louisiana

COMMENTS TO MANAGEMENT

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COMMENTS TO MANAGEMENT

To the Board of Directors
Gravity Drainage District No. 6
Parish of St. Mary
Amelia, Louisiana

During the performance of our audit of the Gravity Drainage District No. 6 for the year ending September 30, 1999, we noted certain immaterial instances of noncompliance with state laws that were clearly inconsequential to the audit results. However, we feel these instances of noncompliance should be communicated to the Board of Commissioners for future reference.

UNALLOWABLE INVESTMENTS

The District's primary purpose for investing is to earn interest income on money that has been determined to be in excess of immediate cash needs. State statutes authorize the District to invest temporarily idle monies in the following:

1. United States Treasury Bonds.
2. United States Treasury Notes.
3. United States Treasury Bills.
4. Obligations of U.S. Government Agencies, including such instruments as Federal Home Loan Bank bonds, Government National Mortgage Association bonds, or a variety of "Federal Farm Credit" bonds.
5. Fully collateralized certificates of deposit issued by qualified commercial banks and savings and loan associations located within the State of Louisiana.
6. Fully collateralized repurchase agreements.
7. Fully collateralized interest-bearing checking accounts.
8. Mutual or Trust Fund institutions which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States Government or its agencies.
9. Any other investment allowed by state statute for local governments.
10. Louisiana Asset Management Pool (LAMP).

UNALLOWABLE INVESTMENTS (Continued)

At September 30, 1999, the District had invested in three certificates of deposit totaling \$150,217 at banks located outside the State of Louisiana. Although the deposits are secured by \$100,000 FDIC federal deposit insurance, the financial institutions are not located within the State of Louisiana which is a violation of state statutes.

The Board of Commissioners responds that the certificates of deposit were purchased locally through Edward D. Jones & Co., an investment firm, which they believed was an authorized investment. The Board has opened an investment account with Louisiana Asset Management Pool (LAMP) and will transfer the proceeds there from the unauthorized investments upon their maturity. The three certificates were all short-term, six months maturity or less.

These comments regarding immaterial instances of noncompliance have been made to management for future reference in planning and monitoring the activities of the Gravity Drainage District No. 6.

LeBlanc and Carpenter

February 18, 2000
Morgan City, Louisiana