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**SUB-GRAVITY DRAINAGE DISTRICT NO. 1
OF GRAVITY DRAINAGE DISTRICT NO. 2
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA**

FINANCIAL STATEMENTS

Year Ended September 30, 1999

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Under provisions of state law, this report is a public document. A copy of the report is to be submitted to the parish, or city, town, 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 2-2-00

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Sub-Gravity Drainage District No. 1 of
Gravity Drainage District No. 2
of the Parish of St. Mary,
State of Louisiana
Bayou Vista, Louisiana

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We have audited the accompanying general purpose financial statements of the Sub-Gravity Drainage District No. 1 of Gravity Drainage District No. 2 of the Parish of St. Mary, State of Louisiana, a component unit of the St. Mary Parish Council as of and for the year ended September 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's officials. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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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. 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.

Governmental Accounting Standards Board Technical Bulletin 98-1, Disclosures about Year 2000 Issues, requires disclosure of certain matters regarding the year 2000 issue in order for financial statements to be in conformity with generally accepted accounting principles. Such required disclosures include:

- any significant amount of resources committed to make computer systems and other electronic equipment year 2000-compliant;
- a general description of the year 2000 issue, including a description of the stages of work in process or completed as of the end of the reporting period to make computer systems and other electronic equipment critical to conducting operations year 2000-compliant; and
- the additional stages of work necessary for making the computer systems and other electronic equipment year 2000-compliant.

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The Sub-Gravity Drainage District No. 1 has omitted such disclosures. We do not provide assurance that the District is or will be year 2000 ready, that the District's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the District does business will be year 2000 ready.

In our opinion, except for the omission of the information discussed in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Sub-Gravity Drainage District No. 1 of Gravity Drainage District No. 2 of the Parish of St. Mary, State of Louisiana, as of September 30, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated December 2, 1999, on our consideration of the District's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The financial information for the preceding year which is included for comparative purposes was taken from the financial report for that year in which we expressed an unqualified opinion on the general purpose financial statements of the Sub-Gravity Drainage District No. 1 of Gravity Drainage District No. 2 of the Parish of St. Mary, State of Louisiana.

Dannall, Sikes & Frederick
A Corporation of Certified Public Accountants

Morgan City, Louisiana
December 2, 1999

**GENERAL PURPOSE
FINANCIAL STATEMENTS**

SUB-GRAVITY DRAINAGE DISTRICT NO. 1 OF
GRAVITY DRAINAGE DISTRICT NO. 2
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Combined Balance Sheet - Governmental Fund Type and Account Group
September 30, 1999

	Governmental Fund Type <u>General Fund</u>	Account Group	Totals (Memorandum Only)	
		<u>General Fixed Assets</u>	<u>1999</u>	<u>1998</u>
ASSETS				
Cash	\$ 6,193	\$ -	\$ 6,193	\$ 2,812
Interest-bearing deposits	134,293	-	134,293	152,562
Accrued interest receivable	224	-	224	730
Refundable deposits	50	-	50	50
Equipment	<u>-</u>	<u>266,640</u>	<u>266,640</u>	<u>227,325</u>
Total assets	<u>\$ 140,760</u>	<u>\$ 266,640</u>	<u>\$ 407,400</u>	<u>\$ 383,479</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	\$ 33,753	\$ -	\$ 33,753	\$ 2,512
Accrued liabilities	<u>500</u>	<u>-</u>	<u>500</u>	<u>374</u>
Total liabilities	<u>34,253</u>	<u>-</u>	<u>34,253</u>	<u>2,886</u>
Fund equity:				
Investment in general fixed assets	-	266,640	266,640	227,325
Fund balance - unreserved, undesignated	<u>106,507</u>	<u>-</u>	<u>106,507</u>	<u>153,268</u>
Total fund equity	<u>106,507</u>	<u>266,640</u>	<u>373,147</u>	<u>380,593</u>
Total liabilities and fund equity	<u>\$ 140,760</u>	<u>\$ 266,640</u>	<u>\$ 407,400</u>	<u>\$ 383,479</u>

The accompanying notes are an integral part of this statement.

SUB-GRAVITY DRAINAGE DISTRICT NO. 1 OF
GRAVITY DRAINAGE DISTRICT NO. 2
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Fund Type - General Fund
Budget (GAAP Basis) and Actual
Year Ended September 30, 1999
With Comparative Actual Amounts for Year Ended September 30, 1998

	1999		Variance - Favorable (Unfavorable)	1998 Actual
	Budget	Actual		
Revenues:				
Taxes - ad valorem	\$ 101,055	\$ 101,059	\$ 4	\$ 85,802
Intergovernmental	51,446	82,946	31,500	32,443
Miscellaneous	<u>1,484</u>	<u>4,779</u>	<u>3,295</u>	<u>6,112</u>
Total revenues	<u>153,985</u>	<u>188,784</u>	<u>34,799</u>	<u>124,357</u>
Expenditures:				
Current -				
Advertising	821	835	(14)	1,011
Capital outlay	40,911	40,911	-	60,410
Contract labor	3,025	2,943	82	2,301
Electrical	4,843	4,840	3	6,520
Insurance	15,686	16,425	(739)	12,039
Professional fees	5,223	5,248	(25)	7,100
Maintenance & repairs	104,200	108,958	(4,758)	19,178
Maintenance system	8,925	8,925	-	20,834
Miscellaneous	135	133	2	71
Natural gas	1,018	801	217	2,678
Office supplies	380	396	(16)	96
Payroll taxes	1,890	2,276	(386)	1,615
Pension fund	3,048	3,049	(1)	2,593
Per diem - board	4,060	3,060	1,000	2,640
Salaries and wages	28,330	28,330	-	20,630
Supplies	4,250	5,284	(1,034)	3,784
Truck	1,418	1,366	52	2,628
Telephone	<u>1,927</u>	<u>1,765</u>	<u>162</u>	<u>1,214</u>
Total expenditures	<u>230,090</u>	<u>235,545</u>	<u>(5,455)</u>	<u>167,342</u>
Deficiency of revenues over expenditures	(76,105)	(46,761)	29,344	(42,985)
Fund balance, beginning	<u>153,268</u>	<u>153,268</u>	<u>-</u>	<u>196,253</u>
Fund balance, ending	<u>\$ 77,163</u>	<u>\$ 106,507</u>	<u>\$ 29,344</u>	<u>\$ 153,268</u>

The accompanying notes are an integral part of this statement.

SUB-GRAVITY DRAINAGE DISTRICT NO. 1 OF
GRAVITY DRAINAGE DISTRICT NO. 2
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sub-Gravity Drainage District No. 1 of Gravity Drainage District No. 2, which is a component unit of the St. Mary Parish Council, was created by Ordinance No. 623 on July 24, 1957. The purpose of the District is the draining and reclaiming of the undrained or partially drained marsh, swamp, and overflowed lands in the area specified in its creationism ordinance.

A. Financial Reporting Entity

This report includes all funds and account groups which are controlled by or dependent on the District executive and legislative branches (the Board of Commissioners). Control by or dependence on the District was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility. The District is a component unit of the Parish of St. Mary.

B. Fund Accounting

The accounts of the District are organized on a fund basis (General Fund), which is considered a portion of the fund structure of the St. Mary Parish Council. The operation of the fund is accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures.

C. Fixed Assets

The fixed assets used in the governmental fund type operations of the District are accounted for in the General Fixed Assets Account Group, rather than in the General Fund. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost.

The account group is not a "fund". It is concerned only with the measurement of financial position and is not involved with measurement of results of operations.

D. Basis of Accounting

The accounts of the District are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of 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 are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

SUB-GRAVITY DRAINAGE DISTRICT NO. 1 OF
GRAVITY DRAINAGE DISTRICT NO. 2
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The district has the following fund type and account group:

Governmental Fund -

General Fund

General fund is used to account for the district's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when they become measurable and available as net current assets. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Ad valorem taxes are recognized as revenue in the year for which budgeted, that is, in the year in which such taxes are billed. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

Account Group -

General Fixed Assets

The general fixed asset account group is used to account for fixed assets not used in proprietary fund operations.

E. Budgetary Practices

Annually, the District adopts a budget for the General Fund. The budgetary practices include public notice of the proposed budget, public inspection of the proposed budget, and public hearings on the budget. Formal budgetary integration is employed as a management control device during the year. The budget is prepared on the modified accrual basis. Budget amounts included in the accompanying financial statements reflect originally adopted budget amounts and all subsequent amendments. All budgetary appropriations lapse at the end of each fiscal year.

F. Vacation and Sick Leave

The District has no existing written policy on vacation and sick leave. These are recognized as expenditures when paid.

SUB-GRAVITY DRAINAGE DISTRICT NO. 1 OF
GRAVITY DRAINAGE DISTRICT NO. 2
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Interest-Bearing Deposits

Interest-bearing deposits are stated at cost, which approximates market. The interest-bearing deposits are time deposits which are fully secured through the pledge of bank-owned securities or the Federal Deposit Insurance Corporation (FDIC) insurance coverages.

H. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District as an extension of formal budgetary integration in the fund.

I. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations.

J. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate analysis. Data in these columns do not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make certain estimates and assumptions. Those estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. They may also affect the reported amounts of revenues and expenses of proprietary funds during the reporting period.

SUB-GRAVITY DRAINAGE DISTRICT NO. 1 OF
GRAVITY DRAINAGE DISTRICT NO. 2
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Notes to Financial Statements

NOTE 2 CASH AND INTEREST-BEARING DEPOSITS

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 1999, the District has cash and interest-bearing deposits (book balances) totaling \$140,486 as follows:

Demand deposits	\$ 6,193
Time deposits	<u>134,293</u>
Total	<u>\$ 140,486</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. 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. Deposit balances (bank balances) at September 30, 1999, are as follows:

Bank balances	<u>\$ 140,965</u>
---------------	-------------------

At September 30, 1999, the deposits are secured as follows:

Federal deposit insurance	\$ 106,671
Pledged securities (Category 2)	<u>57,091</u>
Total	<u>\$ 163,762</u>
Excess	<u>\$ 22,797</u>

Pledged securities in Category 2 includes uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent in the District's name.

NOTE 3 AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on property within the District's taxing area 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 the District's property taxes using the assessed values determined by the tax assessor of St. Mary Parish. District property tax revenues are budgeted in the year billed.

SUB-GRAVITY DRAINAGE DISTRICT NO. 1 OF
GRAVITY DRAINAGE DISTRICT NO. 2
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Notes to Financial Statements

NOTE 3 AD VALOREM TAXES (CONTINUED)

For the year ended September 30, 1999, the District's taxes were levied at the rate of 8.36 mills. Total ad valorem taxes levied were \$101,059. There were no taxes receivable at September 30, 1999.

NOTE 4 FIXED ASSETS

Activity in the general fixed assets account group for the year ended September 30, 1999, was as follows:

	Balance October 1, 1998	Additions	Deletions	Balance September 30, 1999
Equipment	\$ 227,325	\$ 40,911	\$ 1,596	\$ 266,640

NOTE 5 COMPENSATION PAID BOARD MEMBERS

For the year ended September 30, 1999, the following individuals served on the Board of Commissioners and received per diem allowance as follows:

Donald Lantz	\$ 720
Jerome Bertrand	480
Ron Kelly	660
Robin Wigington	480
Jerry Donahoe	720
Total	\$ 3,060

NOTE 6 RETIREMENT COMMITMENTS

The employees are members of the following retirement system:

Retirement System	Employee	District
Social Security System	7.65%	7.65%

SUB-GRAVITY DRAINAGE DISTRICT NO. 1 OF
GRAVITY DRAINAGE DISTRICT NO. 2
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Notes to Financial Statements

NOTE 6 RETIREMENT COMMITMENTS (CONTINUED)

The District's contribution to the above plan totaled approximately \$630 for the year ended September 30, 1999. This amount was paid to the retirement system which is responsible for administering the plan and disbursing benefits.

NOTE 7 RISK MANAGEMENT

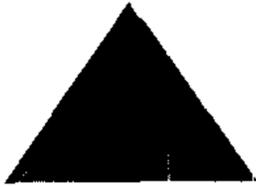
The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The District is insured up to policy limits for each of the above risks. There were no significant changes in coverages, retentions, or limits during the year ended September 30, 1999. Settled claims have not exceeded the commercial coverages in any of the previous three fiscal years.

NOTE 8 LITIGATION AND CLAIMS

There is no pending or threatened litigation involving the District or any unasserted claims which should be disclosed at September 30, 1999.

**SUPPLEMENTAL
INFORMATION**

**INTERNAL CONTROL
AND
COMPLIANCE REPORTS**



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

Board of Commissioners
Sub-Gravity Drainage District No. 1 of
Gravity Drainage District No. 2
of the Parish of St. Mary,
State of Louisiana
Bayou Vista, Louisiana

Other Locations:

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We have audited the general purpose financial statements of the Sub-Gravity Drainage District No. 1 of Gravity Drainage District No. 2 of the Parish of St. Mary, State of Louisiana, a component unit of the St. Mary Parish Council as of and for the year ended September 30, 1999, and have issued our report thereon dated December 2, 1999, which was qualified due to the omission of the year 2000 disclosures that are required by Governmental Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*. We have 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 the Sub-Gravity Drainage District No. 1 of Gravity Drainage District No. 2 of the Parish of St. Mary, State of Louisiana'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 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Sub-Gravity Drainage District No. 1 of Gravity Drainage District No. 2 of the Parish of St. Mary, State of Louisiana'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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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

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entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 99-1.

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 that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses, as defined above. However, we believe the reportable condition described above as 99-1 to be a material weakness.

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

Darrall, Sikes & Frederick
A Corporation of Certified Public Accountants

Morgan City, Louisiana
December 2, 1999

OTHER SUPPLEMENTARY INFORMATION

SUB-GRAVITY DRAINAGE DISTRICT NO. 1 OF
GRAVITY DRAINAGE DISTRICT NO. 2
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Summary Schedule of Prior Year Findings
September 30, 1999

98-1 Finding: Inadequate Segregation of Accounting Functions

Status: This finding is unresolved. See current year finding 99-1.

SUB-GRAVITY DRAINAGE DISTRICT NO. 1 OF
GRAVITY DRAINAGE DISTRICT NO. 2
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Schedule of Findings and Questioned Costs
September 30, 1999

Part 1: Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report – Financial Statements

A qualified opinion has been issued on Sub-Gravity Drainage District No. 1 of Gravity Drainage District No. 2's financial statements as of and for the year ended September 30, 1999.

Reportable Conditions – Financial Statements

A reportable condition in internal control over financial reporting was disclosed during the audit of the financial statements and is shown as item 99-1 in Part 2 and is considered a material weakness.

Material Noncompliance – Financial Reporting

There were no material instances of noncompliance noted during the audit of the financial statements.

Part 2: Findings Relating to an Audit in Accordance with Governmental Auditing Standards

99-1 Inadequate Segregation of Accounting Functions

Finding:

Due to the small number of accounting personnel, the District did not have adequate segregation of functions within the accounting systems.

Recommendation:

Based upon the size of the operation and the cost benefit of additional personnel it may not be feasible to achieve complete segregation of duties.

Part 3: Findings and Questioned Costs Relating to Federal Programs

At September 30, 1999, Sub-Gravity Drainage District No. 1 of Gravity Drainage District No. 2 did not meet the requirements to have a single audit in accordance with OMB Circular A-133, therefore this section is not applicable.

SUB-GRAVITY DRAINAGE DISTRICT NO. 1 OF
GRAVITY DRAINAGE DISTRICT NO. 2
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Management's Corrective Action Plan For Current Year Findings
September 30, 1999

Response to Finding 99-1:

No response is considered necessary.