



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

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November 30, 2006

Mr. Larry Latiolais, President,
and Members of the Board of Commissioners
Ward One South Gravity Drainage District No. 1
of St. Landry Parish
150 Rue Christina
Opelousas, Louisiana 70570

Dear Mr. Latiolais:

We have the following recommendations for Ward One South Gravity Drainage District No. 1 (district) of St. Landry Parish based on our meeting with you on October 26, 2006. The response from management of the district is included in Attachment 1 to this letter.

Accounting for Dedicated Taxes

The district levies a 2.5 mill property tax dedicated for the payment of general obligation bonds. The millage levied and the taxes collected should be sufficient to pay the principal and interest on the bonds as they mature. If the property taxes collected exceed the amounts required to pay the principal and interest on the bonds, as they mature, the millage should be reduced accordingly.

The proceeds of the 2.5 mill property tax are deposited into the general fund of the district (only one bank account is maintained) and commingled with all other general fund monies. Therefore, there is no clear accounting of the dedicated taxes received and expended for the payment of the principal and interest on the bonds. In addition, a determination of whether the taxes collected is sufficient to pay the principal and interest on the bonds as they mature cannot be readily made.

Recommendations:

- Open a separate bank account for the receipt of the dedicated taxes and the debt service payments.
 - Determine the amount of dedicated monies that is presently in the general fund (obtain records of tax payments received, debt service payments made, and estimated interest earned on bank balances) and transfer this amount to the newly opened bank account.
 - Evaluate the bank balance of the dedicated funds to determine whether the 2.5 mills currently being levied are sufficient to pay the debt service on the bonds or whether the millage should be reduced.
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- Monitor the bank balance annually to determine whether the millage should be adjusted for the district to collect the sufficient amount to pay the principal and interest on the bonds as they mature.

Excess Cash

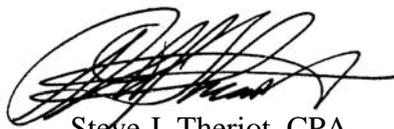
At August 31, 2006, the district has cash, totaling \$241,445, in a demand deposit account earning an annual interest rate of 1.2 percent. Louisiana Revised Statute 33:2955(A) authorizes and directs the district to invest monies that are determined to be available for investment in prescribed interest-bearing accounts or securities. In addition, investing monies in excess of immediate cash needs is a good business practice.

Recommendations:

We suggest that the district develop written procedures for determining the amounts available for the payment of short-term and long-term obligations and how those obligations affect investing decisions and determine estimated cash requirements each month to determine available monies to invest in short-term and long-term securities.

I trust this information will assist you in the operations of the district. Please contact me at (225)339-3800 should you have questions or if we can assist you in the future.

Sincerely,



Steve J. Theriot, CPA
Legislative Auditor

RLT:GLM:JSI:dl

W1SGDD106

cc: Mr. Ashton Auzenne
Mrs. Jean Bienvenu
Mr. Randy Wagley
Mr. Mitchell Wyble
Mrs. Claire Speyrer
St. Landry Parish Government

Management's Response

WARD ONE SOUTH GRAVITY DRAINAGE DISTRICT #1
232 St. Ann Street
Opelousas, LA 70570

December 13, 2006

Office of Legislative Auditor
State of Louisiana
1600 North Third Street
Baton Rouge, LA 70804-9397

Dear Mr. Trahan:

We have received the recommendations from your office concerning Ward One South Gravity Drainage District #1. Listed below are the steps that we are going to take to correct our deficiencies.

- Item I.** We are in the process of opening separate checking accounts.
- Item II.** We are gathering information now to determine how much money to Put in new account.
- Item III.** We have determined the 2.5 mills is sufficient to pay debt service on Bonds. We have contacted the Bank of New York to find out if we can pay out and if so what type of penalties are involved.
- Item IV.** In April of 2006 the board reduced the maintenance millage. We will Review again in 2007.
- Item V.** Upon Mr. McCrury's suggestion, we are contacting Louisiana Asset Management State of Louisiana about opening an interest bearing Checking account to obtain maximum interest on our checking Account.
- Item VI.** We already have in place in our annual budget. We review every 2 months and make necessary adjustments to budget.

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We appreciate the help of Mr. Trahan and Mr. McCrury in bringing these matters to our attention.

Sincerely,



Mr. Larry Latiolais, President
Ward One south Gravity Drainage District
#1