SUNSET DRAINAGE DISTRICT OF ST. CHARLES PARISH

ST. CHARLES PARISH COUNCIL

Paradis, Louisiana

General Purpose Financial Statements and
Independent Auditor's Report
As of and for the Year Ended December 31, 2000
With Supplemental Information Schedules

T.S. KEARNS & CO.
CPA

(A Professional Corporation)
Timothy S. Kearns, MBA, CPA
501 Canal Boulevard, Thibodaux, LA 70301
(504) 447-8507 Fax (504) 447-4833

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

General Purpose Financial Statements and
Independent Auditor's Report
As of and for the Year Ended December 31, 2000
With Supplemental Information Schedule

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T.S. KEARNS & CO.
CPA

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of the Sunset Drainage District of St. Charles Parish, a component unit of the St. Charles Parish Council, as of and for the year ended December 31, 2000, as listed in the foregoing table of contents. These financial statements are the responsibility of the management of the Sunset Drainage District of St. Charles Parish. 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 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 component unit financial statements referred to above present fairly, in all material respects, the financial position of the Sunset Drainage District of St. Charles Parish as of December 31, 2000, and the results of operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated May 16, 2001 on our consideration of the Sunset Drainage District's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying supplemental information schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Sunset Drainage District of St. Charles Parish. Such information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

T.S. Kearns & Co.

May 16, 2001

TIMOTHY S. KEARNS
MASTER OF BUSINESS ADMINISTRATION
CERTIFIED PUBLIC ACCOUNTANT

(A Professional Corporation)
501 Canal Boulevard, Thibodaux, LA 70301
(504) 447-8507 Fax (504) 447-4833
kearnscpa@mobiletel.com

Statement A

SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana
ALL FUND TYPES & ACCOUNT GROUPS

Balance Sheet
December 31, 2000

	GOVERNMENTAL FUND	ACCOUNT GROUPS		
	GENERAL FUND	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	TOTAL (MEMORANDUM ONLY)
ASSETS AND OTHER DEBITS				
Assets				
Cash	$ 134,627			$ 134,627
Investments	149,268			149,268
Receivables:				
Maintenance taxes	61,241			61,241
Equipment		$ 592,573		592,573
Buildings		28,466		28,466
Real estate & improvements		1,145,323		1,145,323
Other debits				
Amount to be provided for retirement of long-term obligations			$ 5,790	5,790
TOTAL ASSETS AND OTHER DEBITS	$ 345,135	$1,766,362	$ 5,790	$2,117,287
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities				
Accounts payable	$ 3,839			$ 3,839
Payroll taxes payable	1,189			1,189
Compensated absences payable			$ 5,378	5,378
Direct and incremental salary related payments			411	411
Total liabilities	5,027	0	5,790	10,817
Equity and other credits				
Investment in general fixed assets		$1,766,362		1,766,362
Fund balances:				
Unreserved-undesignated	340,108			340,108
Total equity and other credits	340,108	1,766,362	0	2,106,470
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	$ 345,135	$1,766,362	$ 5,790	$2,117,287

The accompanying notes are an integral part of this statement.

Statement B

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

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2000

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Taxes:			
Maintenance taxes	$ 66,100	$ 78,055	$ 11,955
Other:			
Oil & gas royalties & leases	20,200	26,341	6,141
Interest	9,875	13,698	3,823
Sales of surplus land	0	11,561	11,561
Other	0	203	203
Grants:			
St. Charles Parish Council	278,500	260,760	(17,740)
Total revenue	374,675	390,619	15,944
EXPENDITURES			
Current:			
Advertising	280	588	(308)
Contract labor	30,100	30,342	(242)
Equipment repair(improvement)	54,000	54,186	(186)
Fuel	12,000	12,955	(955)
Insurance	31,000	32,370	(1,370)
Maintenance tax expenditures	0	10,287	(10,287)
Material & supplies	23,000	17,769	5,231
Miscellaneous	3,500	2,494	1,006
Office supplies	1,100	956	144
Per diem	4,745	4,745	0
Professional services	30,100	28,670	1,430
Salaries	101,350	101,445	(95)
Secretary/Treasurer	3,000	3,000	0
Taxes - payroll	8,000	7,762	238
Telephone	1,400	1,365	35
Utilities	4,900	4,875	25
Capital outlay:			
Purchases of equipment	80,000	79,988	12
Capital improvements	0	9,700	(9,700)
Total expenditures	388,475	403,497	(15,022)
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(13,800)	(12,878)	$ 922
FUND BALANCE AT BEGINNING OF YEAR	None	352,986	
FUND BALANCE AT END OF YEAR	$ None	$ 340,108	

The accompanying notes are an integral part of this statement.

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

Notes to the Financial Statements
As of and for the Year Ended December 31, 2000

INTRODUCTION

The Sunset Drainage District of St. Charles Parish was established May 16, 1924. It is controlled by a five member board of commissioners appointed by the St. Charles Parish Council. Sunset Drainage District funds are dedicated to operating and maintaining drainage facilities within the district boundries. Financing is provided primarily by a grant from the St. Charles Parish Council, maintenance taxes, mineral royalties, and interest on investments. At year end the board employed three employees.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of presentation

The accompanying general purpose financial statements of the Sunset Drainage District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting entity

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

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Charles Parish Council for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountablity. The GASB has set forth criteria to be considered in determining financial accountabiltiy. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and

    a. The ability of the parish council 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 parish council.

2. Organizations for which the parish council does not appoint a voting majority but are fiscally dependent on the parish council.

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.

Because the parish council appoints the organizations governing body and because there is the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the parish council, the district was determined to be a component unit of the St. Charles Parish Council, the finanical reporting entity. The accompanying financial statements present information only on the funds maintained by the district and do not present information on the parish council, the general government services provided by that governmental unit, or the other governmental units that comprise the governmental reporting entity.

C. Fund accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed 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.

The only fund of the district is classified as a governmental fund. Governmental funds account for the district's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. The governmental fund of the district includes:

General Fund - the general operating fund of the District that accounts for all financial resources, except those required to be accounted for in other funds.

This fund is reported as a special revenue fund in the general purpose financial statements of the St. Charles Parish Council.

D. Basis of accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The General Fund is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The operating statement presents increases and decreases in net current assets. The District's records are maintained on the cash basis of accounting. However, the general fund reported in the financial statements has been converted to the modified accrual basis of accounting using the following practices in recording revenues and expenditures:

Revenues -

Maintenance taxes are recorded in the year the taxes are assessed. Maintenance taxes are assessed on a calendar year basis, become due on November 15 of each year, and become delinquent on December 31. The taxes are generally collected in December of the current year and January and February of the ensuing year.

Interest income on time deposits is recorded when earned.

All other revenue are recorded when received.

Expenditures -

Compensated absences are recognized as expenditures when leave is actually taken or when employees (or their heirs) are paid for accrued leave upon retirement or death, while the cost of leave privileges not requiring current resources is recorded in the general long-term obligations account group.

All other expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

E. Budgets

The District adopted a budget for the General Fund for the year ended December 31, 2000 as required by Louisiana Revised Statutes 39:1303-1305. Budget integration was employed as a management control device during the year. Unexpended appropriations lapse at year end, and must be reappropriated in the next year's budget to be expended. The board of commissions reserves all authority to make changes to the budget. When actual revenues fail to meet budgeted revenues by five per cent or more and/or actual expenditures exceed budgeted expenditures by five per cent or more, a budget amendment to reflect such change is adopted by the District.

Budgeted amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments (if any). The district did not budget beginning or ending fund balance for the calendar year ended December 31, 2000.

F. Encumbrances

The District does not use encumbrance accounting.

G. Cash and cash equivalents, and investments

Cash includes amounts in demand deposits, interest-bearing demand deposits, money market accounts, and time deposits. Investments include amounts in obligations of the United States of America. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the board may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

H. Inventories

Physical inventories consist of expendible supplies held for consumption. Because inventories are expended within one operating cycle they are recorded as expenditures when paid for and are not recorded as an inventory asset.

I. Fixed assets

Fixed assets are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized in the general fixed assets account group. Public domain or infrastructures are not capitalized. Interest cost incurred during construction are not capitalized. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical costs or estimated cost if historical cost is not available.

J. Compensated absences

The District has the following policy relating to vacation and sick leave:

Employees of the District earn from 5 to 15 days of vacation leave each year, depending on their length of service. Employees earn 6 days of sick leave each year, depending on their length of service. Sick leave may be accumulated to a maximum of 30 days. Upon retirement or death, unused accumulated sick leave is paid to

the employee or to the employee's estate at the employee's current rate of pay.

In accordance with GASB Statement No. 16, the cost of sick leave is accrued only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals. The cost of leave privileges not requiring current resources is recorded in the general long-term obligations account group.

K. Long-term obligations

Long-term obligations expected to be financed from governmental funds are reported in the general long-term obligations account group. Expenditures for principal and interest payments for long-term obligations are recognized in the governmental fund when due.

L. Fund equity

Reserves - Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specfic future use.

Designated fund balance - Designated fund balances represent tentative plans for future use of financial resources.

M. Total columns on statement

The total columns on the statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTE 2. LEVIED TAXES

Maintenance taxes attach as enforceable liens on property as of January 1 of each year. Taxes are levied by the Parish of St. Charles in November and are actually billed to the taxpayers in December. Billed taxes become delinquent on January 1 of the following year.

The Sunset Drainage District of St. Charles Parish is authorized under L.S.A. R.S. 38:1674.14 to levy an annual acreage tax in an amount not to exceed $20.00 per acre on each acre of land within the boundaries of the district for the purpose of improving, operating and maintaining drainage facilities. For the year ending December 31, 2000 the district levied an acreage tax of $7.00 per acre of land. The tax roll is prepared by the Assessor's office. The taxes are collected and remitted by the

Tax Collector. Maintenance taxes are recorded at the total amount assessed plus prior year taxes collected during the current year. Prior to remitting the taxes, the Tax Collector deducts an amount for the Assessor's office pension fund and deducts 14% commission on collected taxes charged by the Tax Collector. In 2000 the expenditure for the pension fund was $1,952 and the 14% commission was $10,287. These expenditures are reported as Maintenance Tax Expenditures in the general fund.

The district records as a receivable the total maintenance taxes assessed for the year less charges for the pension fund and commission. An Allowance for Doubtful Accounts is not recorded by the district because the amount of uncollected taxes is immaterial and written off in the year following the year of assessment.

The total taxable acreage for 2000 was 10,497.24 acres.

The following are the principal taxpayers for the district:

Taxpayer	Total acreage assessed	Total tax assessed	Percentage of total acreage assessed
Texaco, Inc.	8,325	$ 58,275	79.31%
Rivet, Huey J.	286	1,999	2.72%
Summers, Margaret D., et als	272	1,905	2.59%
Summers, Alvie C., Jr.	153	1,073	1.46%
Lemmon, Mary Ann Vial, et als	140	980	1.33%
Rivet, Huey Joseph	115	805	1.10%
Total	9,291	$ 65,037	88.51%

NOTE 3. GRANT

The St. Charles Parish Council subsidized the operations of the district in the amount of $260,760 for fiscal year 2000 in equal quarterly installments. The Sunset Drainage District agreed to adequately maintain the drainage system within the boundaries of the district to protect the lives and property of the citizens residing within the district.

NOTE 4. CASH AND CASH EQUIVALENTS

At December 31, 2000, the board has cash and cash equivalents (book balance) totaling $ 134,627, as follows:

Interest-bearing demand deposits	$ 73,465
Money market	3,745
LAMP-money market	57,417
Total	$ 134,627

These deposits are stated at cost, which approximates market. Under state law, these deposits (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. These securities must be held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2000, the district has $73,962 in deposits (collected bank balance) at First American Bank. These deposits are secured from risk by $100,000 of FDIC insurance (GASB category 1). At December 31, 2000, the district has $3,745 in deposits (collected balance) at Banc One Securities Corporation. These deposits are secured from risk by $3,745 of insurance by the Securities Investor Protection Corporation (GASB Category 1). At December 31, 2000, the district has $57,417 in deposits (collected bank balance) at Louisiana Asset Management Pool (GASB category 1).

NOTE 5. INVESTMENTS

At December 31, 2000, the district has investments totaling $149,268, as follows:

	Carrying Value	Market Value
United States Treasury Notes	$149,268	$146,391

These investments are stated on the balance sheet at amortized cost. Investments are limited by state law and the district's investment policy. The investments are in the name of the Sunset Drainage District and are held in the dealers safekeeping account. Because the investments are in the district's name but are not held by the district, they are considered to be GASB Category 1 in applying the credit risk of GASB-3.

NOTE 6. RECEIVABLES

The following is a summary of receivables at December 31, 2000:

Class of Receivable	General Fund
Maintenance taxes	$ 61,241
Total	$ 61,241

NOTE 7. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance January 1, 2000	Additions	Retirements	Balance December 31, 2000
Equipment	$ 515,042	$ 79,988	$ 2,457	$ 592,573
Buildings	28,466	-0-	-0-	28,466
Real Estate & Improvements	1,147,184	9,700	11,561	1,145,323
Total	$1,690,692	$ 89,688	$ 14,018	$1,766,362

NOTE 8. PENSION PLAN

All employees of the Sunset Drainage District contribute to the Department of the Treasury, Division of Social Security. Contributions to the system are made by both the employees and the District as a percentage of salaries. For the year ended December 31, 2000, the District contributed $7,761 (7.65% of salaries) to the system as its share of the contributions. Other than the annual contributions required by the system and recorded as expenditures annually, Sunset Drainage District does not guarantee any of the benefits granted by the retirement system.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS

The District provides no other postretirement benefits.

NOTE 10. LEASES

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

NOTE 11. COMPENSATED ABSENCES

At December 31, 2000, employees of the District have accumulated and vested $5,790 of employee leave benefits, computed in accordance with GASB Codification Section C60. This amount is recorded in the general long-term obligations account group.

NOTE 12. CHANGES IN GENERAL LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions during the year:

	Compensated Absences
Long-term obligations payable at January 1, 2000	$3,820
Additions	1,970
Deductions	-0-
Long-term obligations payable at December 31, 2000	$5,790

NOTE 13. LITIGATION AND CLAIMS

At December 31, 2000, the Sunset Drainage District was involved in one claim of litigation, Clarence Breaux vs. The Sunset Drainage District. This suit involves an alleged financial loss resulting from the District putting trees in Clarence Breaux's crawfish pond. The District's management believes it will prevail.

SUPPLEMENTAL INFORMATION

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

Schedule 1

Schedule Compensation Paid Board Members
For the Year Ended December 31, 2000

The schedule of compensation paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. R.S. 38:1607 authorizes each commissioner to receive compensation of not more than sixty-five dollars per day including all actual expenses, while attending to the business of the district.

MEMBER	PER DIEM	NO. OF DAYS	TOTAL PER DIEM
Eric Matherne	$ 65	16	$ 1,040
Troy Sampey	65	15	975
Curtis Matherne	65	13	845
Eugene Cunningham	65	5	325
Ronald Dufrene	65	14	910
Dale Estay	65	10	650
Total			$ 4,745

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

Summary Schedule of Prior Audit Findings
As of and for the Year Ended December 31, 2000

Ref. No.

9912-01

Fiscal Year Finding Initially Occurred

All previous years

Description of Finding

Internal Control Material Weakness. As a material weakness (and reportable condition), the size of the Sunset Drainage District's operations and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial.

Corrective Action Taken (Yes, No, Partially)

No

Planned Corrective Action/Partial Corrective Action Taken

None

Additional Explanation

This is a common reportable condition noted in audits of small governmental entities. The district's office does not employ enough people in its accounting department to segregate duties.

The reportable condition can not be remedied in a cost effective manner.

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

Corrective Action Plan for Current Year Findings
As of and for the Year Ended December 31, 2000

Ref. No.

0012-01

Description of Finding

Internal Control Material Weakness. As a material weakness (and reportable condition), the size of the Sunset Drainage District's operations and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial. Because of the material weakness, the supervisor's time was not sufficently recorded on a time sheet.

Corrective Action Planned

No corrective action planned is taken because of the size of the entity. No pay checks will be issued unless adequate records of time worked are maintained.

Name of Contact Person

L.J. Frickey, Secretary/Treasurer

Anticipated Completion Date

December 31, 2001

Additional Explanation

This is a common reportable condition noted in audits of small governmental entities. The district's office does not employ enough people in its accounting department to segregate duties. The reportable condition can not be remedied in a cost effective manner.

OTHER REPORT REQUIRED BY

GOVERNMENT AUDITING STANDARDS

Report on Compliance and on Internal Control

Exhibit A

T.S. KEARNS & CO. CPA

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

We have audited the general purpose financial statements of the Sunset Drainage District of St. Charles Parish, a component unit of the St. Charles Parish Council, as of and for the year ended December 31, 2000, and have issued our report thereon dated May 16, 2001. 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 the Sunset Drainage District'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 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 test 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 Sunset Drainage District'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 a single 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 judgement, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in the accompanying corrective action plan for the current year audit finding as item 0012-01.

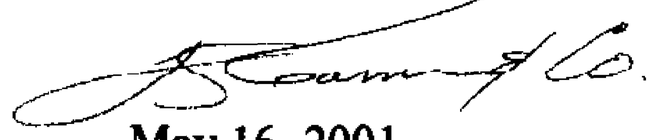
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being

TIMOTHY S. KEARNS
MASTER OF BUSINESS ADMINISTRATION
CERTIFIED PUBLIC ACCOUNTANT

(A Professional Corporation)
501 Canal Boulevard, Thibodaux, LA 70301
(985) 447-8507 Fax (985) 447-4833
kearnscpa@mobiletel.com

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 the reportable condition described above is a material weakness.

This report is intended for the information of management. However, this report is a mater of public record and its distribution is not limited.



May 16, 2001