

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

**Report on Examination of
Financial Statements**

**For the Year Ended
September 30, 2001**

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 3/27/02

TABLE OF CONTENTS

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT	1
GENERAL PURPOSE FINANCIAL STATEMENTS	
Combined Balance Sheet-All Fund Types And Account Groups.	2
Operation and Maintenance Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	3
Notes To Financial Statements.	4-10
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT</i> <i>AUDITING STANDARDS</i>	11-12

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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 year ended September 30, 2001, 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, 2001, 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 our report dated March 16, 2002 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

March 16, 2002
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, 2001

	Governmental <u>Fund</u>	Account <u>Group</u>	Totals (Memorandum Only)	
	<u>Operation & Maintenance</u>	<u>General Fixed Assets</u>	<u>2001</u>	<u>2000</u>
ASSETS				
Cash and cash equivalents	\$367,573	\$ --	\$367,573	\$ 161,982
Investments, at cost	--	--	--	147,898
Receivables				
Ad valorem taxes	117,013	--	117,013	115,624
Due from F.E.M.A.	25,566	--	25,566	--
Meter deposits	210	--	210	210
Drainage property, equipment & improvements	<u>--</u>	<u>1,007,062</u>	<u>1,007,062</u>	<u>1,002,545</u>
TOTAL ASSETS	<u>\$510,362</u>	<u>\$1,007,062</u>	<u>\$1,517,424</u>	<u>\$1,428,259</u>
LIABILITIES				
Accounts payable	<u>\$ 2,724</u>	<u>\$ --</u>	<u>\$ 2,724</u>	<u>\$ 871</u>
TOTAL LIABILITIES	<u>\$ 2,724</u>	<u>\$ --</u>	<u>\$ 2,724</u>	<u>\$ 871</u>
FUND BALANCE				
Fund balance	507,638	--	507,638	424,843
Investment in fixed assets	<u>--</u>	<u>1,007,062</u>	<u>1,007,062</u>	<u>1,002,545</u>
TOTAL FUND BALANCE	<u>\$507,638</u>	<u>\$1,007,062</u>	<u>\$1,514,700</u>	<u>\$1,427,388</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$510,362</u>	<u>\$1,007,062</u>	<u>\$1,517,424</u>	<u>\$1,428,259</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, 2001
with comparative actual amounts for
the year ended September 30, 2000

	<u>9-30-01</u>			<u>9-30-00</u>
	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)	<u>Actual</u>
REVENUES				
Ad valorem taxes	\$150,000	\$156,583	\$ 6,583	\$155,293
Interest income	6,000	17,037	11,037	16,188
F.E.M.A. reimbursement	<u> --</u>	<u>25,566</u>	<u>25,566</u>	<u> --</u>
TOTAL REVENUES	<u>156,000</u>	<u>199,186</u>	<u>43,186</u>	<u>171,481</u>
EXPENDITURES				
Accounting and secretary	5,100	5,850	(750)	5,080
Advertise, publish	750	683	67	488
Audit fees	3,400	3,400	--	3,400
Emergency operations	--	24,533	(24,533)	--
Engineering	3,000	--	3,000	2,687
Fuel	20,000	15,167	4,833	2,926
Insurance	11,000	11,002	(2)	9,850
Legal	--	--	--	--
Miscellaneous	1,000	397	603	
Office expense	300	170	130	171
Per diem allowance	11,700	7,475	4,225	7,150
Pump operation contractors	21,000	21,350	(350)	21,624
Repairs and maintenance				
Drainage equipment	12,000	6,785	5,215	2,840
Drainage system	20,000	12,079	7,921	21,482
Utilities	5,000	2,983	2,017	2,039
Drainage System Improvements				
Construction costs	<u>250,000</u>	<u>4,517</u>	<u>245,483</u>	<u>35,714</u>
TOTAL EXPENDITURES	<u>364,250</u>	<u>116,391</u>	<u>247,859</u>	<u>115,451</u>
Excess (deficiency) of revenues over expenditures	(208,250)	82,795	291,045	56,030
Appropriation of Fund Balance-Cash Reserves	<u>208,250</u>	<u> --</u>	<u> --</u>	<u> --</u>
Fund balance at beginning of year	<u>424,843</u>	<u>424,843</u>	<u> --</u>	<u>368,813</u>
Fund balance at end of year	<u>\$216,593</u>	<u>\$507,638</u>	<u>\$291,045</u>	<u>\$424,843</u>

See accompanying notes to financial statements.

GRAVITY DRAINAGE DISTRICT NO. 6
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

	<u>Page</u>
A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	4-7
Reporting Entity	4
Fund Accounting	4-5
Basis of Accounting	5
Budgets and Budgetary Accounting	5-6
Cash and Investments	6
Fixed Assets	6
Bad Debts	6
Use of Estimates	7
Total Column on Combined Balance Sheet	7
B. RECEIVABLES	7
C. DEPOSITS AND INVESTMENTS	7-8
D. BOARD OF COMMISSIONERS AND PER DIEM ALLOWANCE	8-9
E. CHANGES IN GENERAL FIXED ASSETS	9-10
F. AD VALOREM TAXES AND MAINTENANCE MILLAGE ASSESSMENT	10
G. F.E.M.A. REIMBURSEMENTS	10

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

Notes to Financial Statements

September 30, 2001

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, 2001. 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)

Use of Estimates

The District's management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities the disclosure of contingent assets and liabilities, and the reported revenues and expenditures or expenses, as appropriate. Actual results may differ from these estimates.

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 \$117,013 and \$115,624 remaining to be collected from the taxpayers as of September 30, 2001 and September 30, 2000, respectively.

NOTE C - DEPOSITS AND INVESTMENTS

DEPOSITS

Amounts reported and included in cash and cash equivalents are amounts in demand deposit accounts and LAMP account. At September 30, 2001, the District has cash and cash equivalents totaling \$367,573, as follows:

Cash in demand deposits	\$ 2,937
LAMP	<u>364,636</u>
Total	<u>\$367,573</u>

The demand deposits are stated at cost, which approximates market. 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, 2001, the carrying amount of deposits was \$2,927 and the bank balance was \$6,952. These deposits are secured from risk by \$6,952 in federal deposit insurance (GASB Category 1).

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

The Drainage District had \$364,636 invested in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification Section 150.165, the investment in LAMP is not categorized in the three risk categories provided by GASB Codification 150.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. Due to this immediate access feature, investments in LAMP are considered cash equivalents by the Drainage District.

LAMP is administered by LAMP, Inc., which is a nonprofit corporation organized under the laws of the State of Louisiana which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors consisting of the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPA's. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U. S. government or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consist of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. Due to this immediate access feature, investments in LAMP are considered cash equivalents by the Drainage District.

INVESTMENTS

The District has no investments as of September 30, 2001.

The District's investments carried at cost at September 30, 2000 were:

Investments:	<u>Cost</u>	<u>Fair Value</u>
U.S. Treasury Note, 5.902% yield to maturity, 01-04-2001 maturity date (includes accrued interest)	<u>\$147,898</u>	<u>\$147,898</u>

NOTE D - BOARD OF COMMISSIONERS AND PER DIEM ALLOWANCE

As of September 30, 2001 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	\$1,495
Joseph D. Venable	12	\$1,495
Elmer Singleton, Jr.	12	\$1,495
Edward Thomas	12	\$1,495
Ronald Deshotel	12	\$1,495
		<u>\$7,475</u>

NOTE D - BOARD OF COMMISSIONERS AND PER DIEM ALLOWANCE (Continued)

Monthly per diem for attending board meetings is \$65.00 for each board member. There were eleven special or emergency meetings held during the year, primarily regarding emergency flooding, 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>9-30-00</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance</u> <u>9-30-01</u>
Drainage property, equipment and improvements	\$1,002,545	\$4,517	\$ --	\$1,007,062
Total General Fixed Assets	<u>\$1,002,545</u>	<u>\$4,517</u>	<u>\$ --</u>	<u>\$1,007,062</u>

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

	<u>Balance</u> <u>9-30-00</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance</u> <u>9-30-01</u>
Operation & Maintenance Fund	\$ 717,761	\$4,517	\$ --	\$ 722,278
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>\$1,002,545</u>	<u>\$4,517</u>	<u>\$ --</u>	<u>\$1,007,062</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, 2001 and at September 30, 2000. 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 a storage building for various pumps and equipment.

NOTE E - CHANGES IN GENERAL FIXED ASSETS (Continued)

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 - 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, 2001, 7.83 mills were authorized and dedicated as follows:

Gravity drainage system maintenance and improvements 7.83 mills.

NOTE G - F.E.M.A. REIMBURSEMENTS

The Commission received \$25,566 in reimbursement from the Federal Emergency Management Agency (F.E.M.A.) for emergency costs incurred as a result of tropical storm "Allison". Costs incurred are included in "Emergency Operations" on the combined statement of revenues and expenditures. The Commission complied with all federal requirements and documentation in order to receive the F.E.M.A. reimbursement.

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*

PERIOD ENDED SEPTEMBER 30, 2001

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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, 2001, and have issued our report thereon dated March 16, 2002. 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.

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

March 16, 2002
Morgan City, Louisiana