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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, 1997

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 04 1998

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(A Corporation of Certified Public Accountants)

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## INDEPENDENT AUDITOR'S REPORT

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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

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, 1997, 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.

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.

In our opinion, 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, 1997, 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 15, 1997, 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.

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Society of Louisiana  
Certified Public Accountants

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.

*Darnall, Sikes & Frederick*

A Corporation of Certified Public Accountants

Morgan City, Louisiana  
December 15, 1997

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, 1997

	<u>Governmental Fund Type General Fund</u>	<u>Account Group General Fixed Assets</u>	<u>Totals (Memorandum Only)</u>	
			<u>1997</u>	<u>1996</u>
<b>ASSETS</b>				
Cash	\$ 1,253	\$ -	\$ 1,253	\$ 1,110
Interest-bearing deposits	201,700	-	201,700	205,976
Accrued interest receivable	699	-	699	640
Refundable deposits	50	-	50	50
Equipment	<u>-</u>	<u>166,915</u>	<u>166,915</u>	<u>165,720</u>
Total assets	<u>\$203,702</u>	<u>\$166,915</u>	<u>\$370,617</u>	<u>\$373,496</u>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 7,321	\$ -	\$ 7,321	\$ 1,453
Accrued liabilities	<u>128</u>	<u>-</u>	<u>128</u>	<u>128</u>
Total liabilities	<u>7,449</u>	<u>-</u>	<u>7,449</u>	<u>1,581</u>
<b>Fund equity:</b>				
Investment in general fixed assets	-	166,915	166,915	165,720
Fund balance - unreserved, undesignated	<u>196,253</u>	<u>-</u>	<u>196,253</u>	<u>206,195</u>
Total fund equity	<u>196,253</u>	<u>166,915</u>	<u>363,168</u>	<u>371,915</u>
Total liabilities and fund equity	<u>\$203,702</u>	<u>\$166,915</u>	<u>\$370,617</u>	<u>\$373,496</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, 1997  
With Comparative Actual Amounts for Year Ended September 30, 1996

	1997		Variance - Favorable	1996
	Budget	Actual	(Unfavorable)	Actual
Revenues:				
Taxes - ad valorem	\$ 76,544	\$ 76,544	\$ -	\$ 62,577
Intergovernmental	12,288	12,288	-	12,218
Miscellaneous	<u>7,500</u>	<u>7,462</u>	<u>(38)</u>	<u>6,731</u>
Total revenues	<u>96,332</u>	<u>96,294</u>	<u>(38)</u>	<u>81,526</u>
Expenditures:				
Current -				
Advertising	600	573	27	541
Capital outlay	1,400	1,195	205	-
Contract labor	1,500	1,368	132	465
Electrical	7,000	7,090	(90)	6,523
Insurance	6,500	7,142	(642)	5,589
Professional fees	8,950	8,048	902	2,450
Maintenance & repairs	6,500	7,279	(779)	2,003
Maintenance system	50,000	51,297	(1,297)	496
Miscellaneous	27	60	(33)	(1)
Natural gas	3,500	3,910	(410)	2,952
Office supplies	96	163	(67)	126
Payroll taxes	555	630	(75)	606
Pension fund	2,400	2,400	-	2,002
Per diem - board	3,300	3,060	240	2,400
Salaries and wages	7,920	7,920	-	7,620
Supplies	1,650	1,417	233	935
Truck	2,100	2,100	-	1,950
Telephone	<u>600</u>	<u>554</u>	<u>46</u>	<u>484</u>
Total expenditures	<u>104,628</u>	<u>106,236</u>	<u>(1,608)</u>	<u>37,141</u>
Excess (deficiency) of revenues over expenditures	(8,296)	(9,942)	(1,646)	44,385
Fund balance, beginning	<u>206,195</u>	<u>206,195</u>	<u>-</u>	<u>161,810</u>
Fund balance, ending	<u>\$197,899</u>	<u>\$196,253</u>	<u>\$(1,646)</u>	<u>\$206,195</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

(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 (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 susceptible to accrual (i.e., when they are "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 pay liabilities of the current period. 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.

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.



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 (Continued)

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.

(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, 1997, the District has cash and interest-bearing deposits (book balances) totaling \$202,953 as follows:

Demand deposits	\$ 1,253
Time deposits	<u>201,700</u>
Total	<u>\$202,953</u>

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 (Continued)

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, 1997, are as follows:

Bank balances	<u>\$203,027</u>
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At September 30, 1997, the deposits are secured as follows:

Federal deposit insurance	\$101,328
Pledged securities (Category 2)	<u>99,094</u>
 Total	 <u>\$200,422</u>

Unsecured deposits at September 30, 1997	<u>\$ (2,605)</u>
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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.

(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.

For the year ended September 30, 1997, the District's taxes were levied at the rate of 8.36 mills. Total ad valorem taxes levied were \$76,544. There were no taxes receivable at September 30, 1997.

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 (Continued)

(4) Fixed Assets

Activity in the general fixed assets account group for the year ended September 30, 1997, was as follows:

	<u>Balance</u> <u>October 1, 1996</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>September 30, 1997</u>
Equipment	\$165,720 =====	\$ 1,195 =====	\$ - =====	\$166,915 =====

(5) Compensation Paid Board Members

For the year ended September 30, 1997, the following individuals served on the Board of Commissioners and received per diem allowance as follows:

Donald Lantz	\$ 540
Jerome Bertrand	540
Gary Melancon, Sr.	600
Albert Tidwell - Term expired June 1997	480
Joseph Keller	780
Robin Wigington - Term began July 1997	<u>120</u>
 Total	 \$3,060 =====

(6) Retirement Commitments

The employees are members of the following retirement system:

<u>Retirement System</u>	<u>Contribution Rate</u>	
	<u>Employee</u>	<u>District</u>
Social Security System	7.65%	7.65%

The District's contribution to the above plan totaled approximately \$630 for the year ended September 30, 1997. This amount was paid to the retirement system which is responsible for administering the plan and disbursing benefits.

(7) Litigation and Claims

There are no pending or threatened litigation involving the District or any unasserted claims which should be disclosed at September 30, 1997.



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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

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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

We have audited the 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, 1997, and have issued our report thereon dated December 15, 1997. 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 the following instance of noncompliance that is required to be reported under Government Auditing Standards. No provision for any liability that may have resulted has been recognized in the District's general purpose financial statements.

### Finding:

State law requires deposits in banks to be fully secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. At September 30, 1997, the District had deposits totalling \$2,605 which were not secured as state law requires.

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## 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 judgement, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with assertions of management in the financial statements.

### Inadequate Segregation of Accounting Functions

#### Finding:

Due to the small number of employees the District did not have adequate segregation of functions within the accounting system.

#### 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.

#### Response:

No response is considered necessary.

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. However, we believe the reportable condition described above is a material weakness.

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

*Darnall, Sikes & Frederick*

A Corporation of Certified Public Accountants

Morgan City, Louisiana  
December 15, 1997