

**Gravity Drainage District No. 6
of the Parish of St. Mary
State of Louisiana
Financial Report
For the Year Ended
September 30, 2003**

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 4-21-04

***Gravity Drainage District No. 6
of the Parish of St. Mary
State of Louisiana
Annual Financial Report
For the Year Ended September 30, 2003***

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Required Supplemental Information (Part I)

**GRAVITY DRAINAGE DISTRICT NO. 6,
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2003**

As management of the Gravity Drainage District No. 6 of the Parish of St. Mary, State of Louisiana ("District"), we provide readers of the District's financial statements this narrative overview and analysis of the financial activities of the Gravity Drainage District, for the fiscal year ended September 30, 2003. Please read it in conjunction with the basic financial statements and the accompanying notes to the financial statements.

This is the first year that the District has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement Number 34. Because this new reporting model changes significantly not only the presentation of financial data, but also the manner in which the information is recorded, prior year comparative information for this reporting period's MD&A has not been included. In future years, a comparative analysis of government-wide data will be presented. In preparing the information summarized below, we have tried to keep in mind the disadvantage created by not presenting comparative information by expanding on the narrative with our opinion of the changes from one year to the next.

FINANCIAL HIGHLIGHTS

Our financial statements provide these insights into the results of this year's operations:

- Net assets of our governmental activities increased by approximately \$235,000 or 24.3%.
- Revenues of our governmental activities totaled approximately \$394,000, an increase of 70% from the prior year, while expenditures totaled approximately \$159,000 a decrease of 22% from the prior year.
- Capital projects for drainage system improvements with an estimated cost of \$600,000 were begun with a funding commitment from the St. Mary Parish Council. The funding is via a "Cooperative Endeavor Agreement" entered into by the State of Louisiana, St. Mary Parish Council and Gravity Drainage District No. 6 for state capital outlay funds. Approximately \$272,000 had been spent on the capital projects as of year-end with \$200,000 in reimbursements received.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The District's basic financial statements consist of the following components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

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4. Required supplementary information, and
5. Other supplementary information, which is in addition to the basic financial statements themselves.

1. Government-Wide Financial Statements

Government-wide financial statements are designed by GASB Statement 34 to change the way in which governmental financial statements are presented. It now provides readers a concise "entity-wide" Statement of Net Assets and Statement of Activities. These statements include all assets and liabilities using the accrual basis of accounting in a manner similar to a private-sector business.

- A. The statement of net assets, beginning on page ten (10), presents information on all of the District's assets and liabilities using the accrual basis of accounting. The difference between the assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or weakening.
- B. The statement of activities, beginning on page eleven (11), presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

2. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law and by bond covenants. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District consist of one category: governmental funds.

- A. Governmental funds are used to account for most of the District's basic services as reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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- B. The District maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund. The basic governmental fund financial statements can be found on pages twelve (12) and thirteen (13).
- C. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities. The reconciliation's are located on page twelve (12) and page fourteen (14).

Our auditor has provided assurance in the independent auditor's report, located immediately following this MD&A, that the Basic Financial Statements are fairly stated. The auditor regarding the Required Supplemental Information and the Other Supplemental Schedules is providing varying degrees of assurance. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts in the Annual Financial Report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS AS A WHOLE

Net assets may serve over time as a useful indicator of a government's financial position. The District assets exceeded its liabilities at the close of the year by \$1,201,863 (net assets). Of this amount, \$409,191 is unrestricted net assets. This represents 33.4% of net assets and is resources that are available to be used to meet the District's ongoing obligation to citizens and creditors. The District's net assets increased by approximately \$235,000, of which unrestricted net assets increased by approximately \$47,000 during the year, largely from grant revenues received on capital projects.

The District's capital assets total \$792,672, net of depreciation. The District has no debt related to its capital assets.

The governmental activities of the District include gravity or forced drainage of lands within the District boundaries, i.e., canals, ditches, levees, pumps and pump stations. Property taxes fund most of these governmental activities. The following tables give an indication of how the District's resources are utilized and the source of the resources.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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This table shows the District's expenditures related to the functions/programs associated with its governmental activities.

Expenditures for Functions/Programs

	AMOUNT	PERCENTAGE
Drainage of lands	\$ 159,512	100.00%
Total Governmental Activities	\$ 159,512	100.00%

General and program revenues are those available for the District to use to pay for the governmental activities described above. The following table shows the source of the District's revenues.

Source of Revenues

	AMOUNT	PERCENTAGE
General Revenues		
Ad valorem taxes	\$ 176,169	44.64%
Investment earnings	5,095	1.29%
Program Revenues		
Intergovernmental revenues:		
Operating grants	13,669	3.46%
Capital grants	199,667	50.60%
Total Revenues	\$ 394,600	100.00%

As indicated above, ad valorem tax revenue is the largest general operating revenue source for the District comprising 44.64% of total revenues. For the year ended September 30, 2003, taxes of 7.83 mills were levied on property inside of the District limits compared to 7.83 mills levied in the prior year.

Capital grants received are from the St. Mary Parish Council as reimbursements for drainage system capital improvements. This is part of state capital outlay funding thru a cooperative endeavor agreement between the State of Louisiana (Facility Planning and Control), St. Mary Parish and Gravity Drainage District No. 6. \$600,000 is the capital outlay commitment by the state, of which approximately \$200,000 was received during the year. The District anticipates completion of the project in the next year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

As previously stated, the District maintains one governmental fund, the General Fund. The District's General fund reported ending fund balances of \$400,818 as of the end of the current fiscal year. This is a decrease of approximately \$6,000 from the prior year-end. Operating costs and general revenue from ad valorem taxes remained essentially level when compared to the prior year. Increased emergency operation costs incurred and capital project expenditures in excess of capital grant reimbursements resulted in the slight decline in fund balance. The District continues to expand and improve the drainage system without incurring debt, as a result of it's pursuit to obtain state and parish funding commitments for the capital projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District adopts an annual budget for its General Fund. The District did not amend this budget for the year ending September 30, 2003, so the original budget is the same as the final budget for this fiscal year-end. A budget comparison schedule has been included for the General Fund on page twenty-six (26) to demonstrate compliance with the legally adopted budget. Delays in drainage system design and obtaining right-of-ways resulted in the capital project not advancing to completion as originally anticipated in the budget. Delays in the project, which has approved state capital outlay funding, resulted in the significant line item variances for capital grants and capital expenditures. An analysis of significant budget variances in the General Fund is as follows:

1. Revenues:

- Property tax revenue increased by approximately \$2,500 over prior year revenue but the current budget had conservatively been set at a total that was \$20,000 less than the prior year revenue.
- As previously mentioned, the capital grants anticipated were not received due to the delays in capital project completion.
- Reimbursements received from F.E.M.A. for disaster costs incurred in responding to hurricane "Lili" was not anticipated in the original budget.

2. Expenditures:

- Capital project expenditures did not reach the levels budgeted for completion of the drainage system improvement project.
- Emergency operation expenditures related to hurricane "Lili" was not anticipated in the budget.

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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2003 the District had \$792,672 (net of depreciation) invested in a wide range of capital assets as shown in the table below:

Summary of Capital Assets

	2003
Land, canals and levees	\$ 150,415
Pumps and engines	282,875
Pump station improvements	284,360
Drainage improvements	228,614
Storage building and other equipment	32,056
Construction in progress	<u>346,273</u>
Total Cost of Assets	1,324,593
Accumulated Depreciation	<u>(531,921)</u>
Total Capital Assets, Net	<u>\$ 792,672</u>

This year there was \$272,019 of additions to capital assets. This year's major capital additions included:

• Pump station improvements	\$ 3,280
• Diesel fuel tank on trailer	\$ 870
• Construction in progress	\$ 267,869

Additional detailed information about capital assets is presented in Note 4 to the financial statements.

Long-term Debt

The Gravity Drainage District No. 6 did not have bonds outstanding at September 30, 2003 year-end or at the prior year-end. The District has no plans to consider issuing bonds at this time.

**GRAVITY DRAINAGE DISTRICT NO. 6,
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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2003**

CURRENTLY KNOWN FACTS, ECONOMIC FACTORS AND CONDITIONS

At this time, the Board of Commissioners continues to evaluate and prioritize the needs for drainage system improvements to protect the property of citizens and businesses alike within the District boundaries. The Board is aware of its limited resources available to make significant capital improvements and is continually exploring local and state options for funding of its drainage system improvement projects. The Board continues to monitor all economic factors that affect the operation, maintaining, and improvement of the drainage system of the District. Historically, the majority of the District's revenue has been derived from a maintenance and operating property tax levied. This tax levy of 7.83 mills per annum was approved by the voters in 1998 and is to expire in 2007. At present the District is anticipating the completion of its current capital improvements program of approximately \$650,000, which will add two 48" pumps to the system and greatly expand the District's ability to drain the property within its boundaries. These expenditures are being funded from resources made available by the St. Mary Parish Council and state capital outlay funding. The Board of Commissioners has no current knowledge of any economic conditions that could have a significant adverse affect on its revenues or operating costs. The general fund unreserved fund balance is \$400,818 as of year-end. The Board of Commissioners in preparing and adopting the general fund budget for fiscal year end September 30, 2004 considered these factors. If these current economic factors and conditions remain consistent, the net asset balance is expected to increase modestly by the close of 2004.

CONTACTING MANAGEMENT

This Annual Financial Report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of Gravity Drainage District No. 6's finances and to demonstrate its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Gravity Drainage District No. 6 of the Parish of St. Mary at P.O. Box 317, Amelia, LA 70340, or phone number 1-985-631-2683.

Financial Section

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AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Commissioners
Gravity Drainage District No. 6
State of Louisiana
Amelia, Louisiana

We have audited the accompanying basic financial statements of the governmental activities and each major fund of the 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, 2003, as listed in the financial section of the table of contents. These basic financial statements are the responsibility of the 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 auditing standards generally accepted in the United States of America 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 general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Gravity Drainage District No. 6 as of September 30, 2003, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Gravity Drainage District No. 6, has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussions and Analysis – for State and Local Governments, as of September 30, 2003.

To the Board of Commissioners
Gravity Drainage District No. 6
Amelia, Louisiana
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The Management's Discussion and Analysis and the other required supplemental information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 26, 2004, 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. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

LeBlanc and Carpenter

Morgan City, Louisiana
March 26, 2004

Gravity Drainage District No. 6 of the Parish of St. Mary
Statement of Net Assets
September 30, 2003

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 12,518
Investments	393,152
Due from other government units:	
Ad valorem taxes	24,208
SMPC - capital outlay funds	179,667
Prepaid expenses	<u>8,373</u>
Total current assets	617,918
Noncurrent assets:	
Capital assets, net of depreciation	<u>792,672</u>
Total assets	<u>\$ 1,410,590</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 9,097
Contracts payable	179,667
Retainage payable	<u>19,963</u>
Total current liabilities	<u>208,727</u>
NET ASSETS	
Invested in capital assets, net of related debt	792,672
Unrestricted	<u>409,191</u>
Total net assets	<u>\$ 1,201,863</u>

See notes to the financial statements.

Gravity Drainage District No. 6 of the Parish of St. Mary
Statement of Activities
For The Year Ended September 30, 2003

FUNCTIONS / PROGRAMS

Governmental Activities - Gravity Drainage

General government expenses:

Pump operation contractors	\$ 21,600
Fuel and electricity	21,147
Repairs and maintenance	34,542
Depreciation	30,957
Other operating expenses	<u>51,266</u>

Total program expenses 159,512

Program revenues

Intergovernmental revenues:

Operating grants - F.E.M.A.	13,669
Capital grants - St. Mary Parish Council	<u>199,667</u>
Total program revenues	<u>213,336</u>

Net program revenue 53,824

General revenues:

Ad valorem taxes	176,169
Interest income earned	<u>5,095</u>

Total general revenues 181,264

Increase in net assets 235,088

Net assets - beginning 966,775

Net assets - ending \$ 1,201,863

See notes to the financial statements.

Gravity Drainage District No. 6 of the Parish of St. Mary
Balance Sheet
Governmental Fund
September 30, 2003

	<u>General Fund</u>	
ASSETS		
Cash and cash equivalents	\$ 12,518	
Investments	393,152	
Due from other government units:		
Ad valorem taxes	24,208	
SMPC - capital outlay funds	<u>179,667</u>	
Total assets	<u>\$ 609,545</u>	
LIABILITIES		
Accounts payable	\$ 9,097	
Contract payables	179,667	
Retainage payable	<u>19,963</u>	
Total liabilities	<u>208,727</u>	
FUND BALANCES		
Unreserved-reported in:		
General Fund	<u>400,818</u>	
Total fund balances	<u>400,818</u>	
Total liabilities and fund balances	<u>\$ 609,545</u>	
RECONCILIATION TO GOVERNMENT-WIDE FINANCIAL STATEMENTS:		
Total of fund balance for governmental funds		\$ 400,818
Amounts reported for <i>governmental activities</i> in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		792,672
Prepaid expenses used in governmental activities are not financial resources and therefore are not reported in the funds.		<u>8,373</u>
Net assets of governmental activities		<u>\$ 1,201,863</u>

See notes to the financial statements.

Gravity Drainage District No. 6 of the Parish of St. Mary
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund
For The Year Ended September 30, 2003

	<u>General Fund</u>
REVENUES	
Ad valorem taxes	\$ 176,169
Intergovernmental revenues	
St. Mary Parish Council - capital grants	199,667
F.E.M.A. - operating grants	13,669
Interest	<u>5,095</u>
Total revenues	<u>394,600</u>
EXPENDITURES	
<i>General government - current:</i>	
Pump operation contractors	21,600
Fuel and electricity costs	21,147
Repairs and maintenance	34,542
Accounting and secretarial	7,165
Advertise, publishing costs	1,199
Audit fees	3,400
Commissioners per diem	9,100
Emergency operations	11,479
Insurance	12,125
SMP sheriff's pension deduction	5,618
Other expenses	<u>1,309</u>
Total current expenditures	128,684
Capital expenditures	
Capital outlay - construction	<u>272,019</u>
Total expenditures	<u>400,703</u>
Net change in fund balances	(6,103)
FUND BALANCES	
Fund balance, beginning	<u>407,131</u>
Fund balance, ending	<u>\$ 401,028</u>

See notes to the financial statements.

Gravity Drainage District No. 6 of the Parish of St. Mary

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
Of Governmental Funds to the Statement of Activities**

For the Year Ended September 30, 2003

Net change in fund balances - total governmental funds (fund financial statements) \$ (6,103)

Amounts reported for *governmental activities* in the statement of activities
(government-wide financial statements) are different because:

Governmental funds report capital outlays and prepaid expenses as expenditures
in the individual fund.

Governmental activities report depreciation expense to allocate the cost of
those capital assets over the estimated useful lives of the asset.

Capital outlay	\$ 272,019
Depreciation expense	(30,957)

Governmental activities report the changes in prepaid expense as an increase
or decrease in current government expense.

129	
	<u>241,191</u>
	<u>\$ 235,088</u>

Change in net assets of governmental activities
(government-wide financial statements)

See notes to the financial statements.

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

Notes To Financial Statements
September 30, 2003

The Gravity Drainage District No. 6 (the District) 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.

Note 1 – Summary of Significant Accounting Policies

The accounting and reporting policies of the Gravity Drainage District No. 6 (the District) conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of certain significant accounting policies:

A. Reporting Entity

As the governing authority of the parish, for reporting purposes, the St. Mary Parish Council is the financial reporting entity for St. Mary Parish. The Governmental Accounting Standards Board established criteria for determining which component units should be considered part of the St. Mary Parish Council for financial reporting purposes. The St. Mary Parish Council appoints a voting majority of the District's governing body and can impose its will on the District. Based on criterion applied, the District is a component unit of the St. Mary Parish Council. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the St. Mary Parish Council, the general government services provided by the Council, or the other governmental units that comprise the financial reporting entity for St. Mary Parish, Louisiana.

The District has no entities or organizations that are required to be included in its financial report as defined by Government Accounting Standards Board (GASB) Statement 14.

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

Notes To Financial Statements
September 30, 2003

Note 1 – Summary of Significant Accounting Policies, (Continued)

B. Basic Financial Statements – Basis of Presentation

Government – Wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as governmental type activities. All of the District's administrative services are classified as governmental activities.

In the government-wide Statement of Net Assets, the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and activities. These functions are also supported by general government revenues (ad valorem taxes and interest earned). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function.

The net costs (by function) are normally covered by general revenue (ad valorem taxes and interest earned, etc.). This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

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 government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

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

Notes To Financial Statements
September 30, 2003

Note 1 – Summary of Significant Accounting Policies, (Continued)

B. Basic Financial Statements – Basis of Presentation, (Continued)

Governmental Funds

Governmental Funds are those through which the governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related liabilities are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The Governmental Funds of the District are as follows:

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those that are required to be accounted for in another fund. There are no other governmental funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are both levied and budgeted as general revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The governmental fund financial statements are 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. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by the governmental fund financial statements. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., 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 governmental funds use the following practices in recording revenues and expenditures.

As valorem taxes are considered susceptible to accrual. Interest income is recorded when received by the District. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

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

Notes To Financial Statements
September 30, 2003

Note 1 – Summary of Significant Accounting Policies, (Continued)

D. Budgets and Budgetary Accounting

The District complies with the “Louisiana Local Government Budget Act” and henceforth; budgets are adopted for its general fund on a modified accrual basis that is consistent with generally accepted accounting principles. Annual budgets are prepared by the Board of Commissioners of the District along with a budget message and presented to the Board for adoption no later than 15 days prior to the beginning of the fiscal year. Budgets are adopted for the fiscal year and lapse at year-end. The budget is amended by supplemental appropriations as needed to during the year to comply with state law.

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 General Fund. The budget is prepared and adopted on a basis consistent with generally accepted accounting principles (GAAP), which for the General Fund is the modified accrual basis of accounting.
- b. The District approves and adopts total budget revenue and expenditures only. The District transfers budget amounts between expenditure classifications within the General 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.

E. Deposits and Investments

Cash includes amounts in demand deposits, interest-bearing deposits, and money market accounts. 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 District may invest in Louisiana Asset Management Pool (LAMP), United States bonds, treasury notes, or certificates. Investments are stated at cost.

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

Notes To Financial Statements
September 30, 2003

Note 1 – Summary of Significant Accounting Policies, (Continued)

F. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings, pump stations and improvements	15-40 years
Drainage system improvements	20-25 years
Equipment, pumps and engines	15-25 years
Land, canals, levees and construction in progress	Not being depreciated

G. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or legally segregated by outside parties for a specific future use.

H. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

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

Notes To Financial Statements
September 30, 2003

Note 2 – Deposits and Investments

DEPOSITS

At September 30, 2003, the District has cash and cash equivalents totaling \$12,518 as follows:

	General Fund	
	Book Balance	Bank Balance
Cash in demand deposits	\$ 12,518	\$ 16,913
Total	\$ 12,518	\$ 16,913

These 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 and, if necessary, 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 or exceed 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. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished, as security must be held by the political subdivision or with an unaffiliated bank or trust company for the account of the political subdivision.

The District's deposits are categorized to give an indication of the level of risk assumed by the District at September 30, 2003:

- Category 1 - Insured or collateralized with securities held by the District or by its agent in the District's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3 - Uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name)

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

Notes To Financial Statements
September 30, 2003

Note 2 – Deposits and Investments, (Continued)

DEPOSITS, (Continued)

Deposits categorized by level of risk are:

Amounts insured by the FDIC or collateralized with securities held by the District in its name	\$16,913
Amounts collateralized with securities held by the pledging financial institution's trust department in the District's name	--
Uncollateralized	<u> --</u>
Total deposits	<u>\$16,913</u>

INVESTMENTS

Investments held at September 30, 2003 included \$393,152 in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification Section I50.126, the investment in LAMP as of September 30, 2003 is not categorized as one of the three risk categories provided by GASB Codification I50.125 because the investment is in a pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP, Inc., which is a nonprofit corporation organized under the laws of the State of Louisiana. Only local government entities 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 of the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA – R.S. 33:2955. Accordingly, 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.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA – R.S. 33:2955 (A) (1) (h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

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

Notes To Financial Statements
September 30, 2003

Note 2 – Deposits and Investments, (Continued)

INVESTMENTS, (Continued)

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists 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. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

NOTE 3 – Due from Other Governments

The amounts due from other governmental units consisted of 2002 ad valorem taxes in the hands of the parish tax collector and capital outlay grant reimbursements due from St. Mary Parish Council.

	<u>2003</u>
<u>General Fund:</u>	
St. Mary Parish Sheriff (ad valorem taxes)	\$ 24,208
*St. Mary Parish Council (capital outlay fund grant receivable)	179,667

*These funds are owed to the District as reimbursement due for capital expenditures incurred by the District. The capital expenditures were incurred in connection with a "Cooperative Endeavor Agreement" between the Parish of St. Mary and the State of Louisiana (Facility Planning and Control) for drainage system improvements for Gravity Drainage District No. 6. St. Mary Parish.

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

Notes To Financial Statements
September 30, 2003

Note 4 – Capital Assets

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Cost of Capital assets, not being depreciated				
Land, canals and levees	\$ 150,415	-	-	\$ 150,415
Construction progress	78,404	267,869	-	346,273
Total not being depreciated	\$ 228,819	\$ 267,869	-	\$ 496,688
Cost of Capital assets, being depreciated				
Pumps & engines	\$ 282,005	\$ 870	-	\$ 282,875
Pump station improvements	281,080	3,280	-	284,360
Drainage improvements	228,614		-	228,614
Buildings, equipment, other	32,056		-	32,056
Total being depreciated	\$ 823,755	\$ 4,150	-	\$ 827,905

Less accumulated depreciation:

Pumps & engines	\$ 154,688	\$ 11,795	-	\$ 166,483
Pump station improvements	175,085	8,879	-	183,964
Drainage improvements	163,640	9,056	-	172,696
Buildings, equipment, other	7,551	1,227	-	8,778
Totals	\$ 500,964	\$ 30,957	\$ 244	\$ 531,921
Capital assets, net	\$ 551,610			\$ 792,672

Note 5 – Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements of claims have not exceeded coverage in the past three years.

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

Notes To Financial Statements
September 30, 2003

Note 6 – Board of Commissioners and Per Diem Allowance

As of September 30, 2003 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	\$1,820
Joseph D. Venable	12	1,820
Elmer Singleton, Jr.	12	1,820
Edward Thomas	12	1,820
Ronald Deshotel	12	<u>1,820</u>
		<u>\$9,100</u>

Monthly per diem for attending board meetings is \$65.00 for each board member. There were sixteen special or emergency meetings held during the year, primarily regarding emergency flooding, maintenance projects and construction.

Note 7 – 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 District 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.

Property taxes are levied each November 1 on the assessed value listed as of the prior January 1 for all real property, merchandise and movable property located in the District's boundaries. Assessed values are established by the St. Mary Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. A reevaluation was completed for the list of properties at January 1, 2000. Taxes are due and payable December 31 and are delinquent after that date with interest being charged. Lien date for all delinquent properties is April 1. 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, 2003, 7.83 mills were authorized and dedicated as follows:

Gravity drainage system maintenance and improvements 7.83 mills.

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

Notes To Financial Statements
September 30, 2003

Note 8 – F.E.M.A. Reimbursements

The Commission received \$13,669 in reimbursement from the Federal Emergency Management Agency (F.E.M.A.) for emergency costs incurred as a result of tropical storm “Lili”. Costs incurred are included in “Emergency Operations” on the combined statements of revenues and expenditures. The Commission complied with all federal requirements and documentation in order to receive the F.E.M.A. reimbursement.

Note 9 – On-Behalf Payments for Fringe Benefits

Property tax revenues include amounts withheld by the Sheriff to make “on-behalf payments for fringe benefits” which represent the District’s pro-rata share of retirement plan contributions for other governmental units. Because the District is one of several governmental agencies receiving proceeds from a property tax assessment, it has no bear a pro-rata share of the pension expense relating to the public employees who participate in the Parochial Employees Retirement System. The District’s pro-rata share of the required contribution (\$5,618), which was withheld by the Sheriff from property tax collections to satisfy the District’s obligation, has been presented as an “ad valorem tax deduction” expenditure of the general fund in these financial statements. The District has also increased its property tax revenues by the same of the intergovernmental expenditure.

Note 10 – Construction Commitments

The District entered into the following construction commitments not yet completed at September 30, 2003:

Construction For	Contract Amount	Amounts Paid / Accrued 9/30/03	Retainage Remaining 9/30/03
Pump station construction and improvements	\$ 564,000	\$ 179,667	\$ 19,963
	<u>\$ 564,000</u>	<u>\$ 179,667</u>	<u>\$ 19,963</u>

***Required Supplemental
Information (Part II)***

Gravity Drainage District No. 6 of the Parish of St. Mary
Budget Comparison Schedule
General Fund
For The Year Ended September 30, 2003

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES		Budget was		
Ad valorem taxes	\$ 155,000	not amended	\$ 176,169	\$ 21,169
Intergovernmental revenues:				
St.Mary Parish Council - capital grants	645,000		199,667	(445,333)
F.E.M.A. operating grants	-		13,669	13,669
Interest	7,500	-	5,095	(2,405)
Total Revenues	<u>807,500</u>	<u>-</u>	<u>394,600</u>	<u>(412,902)</u>
EXPENDITURES				
General government - current:				
Pump operation contractors	21,600		21,600	-
Fuel and electricity costs	25,000		21,147	3,853
Repairs and maintenance	32,000		34,542	(2,542)
Accounting and secretarial	5,600		7,165	(1,565)
Advertise, publishing costs	750		1,199	(449)
Audit fees	3,400		3,400	-
Commissioners per diem	11,700		9,100	2,600
Emergency operations	-		11,479	(11,479)
Insurance	11,500		12,125	(625)
SMP sheriff's pension deduction	5,000		5,618	(618)
Other expenses	4,300	-	1,309	2,991
Total current expenditures	<u>120,850</u>	<u>-</u>	<u>128,684</u>	<u>(7,834)</u>
Capital expenditures				
Land acquisition	50,000		-	50,000
Capital outlay - construction	698,250	-	272,019	426,231
Total Expenditures	<u>869,100</u>	<u>-</u>	<u>400,703</u>	<u>469,399</u>
Excess (Deficiency) of Revenues Over Expenditures	(61,600)	-	(6,103)	55,497
FUND BALANCES				
Fund Balance, Beginning of Year	406,921	-	406,921	-
Fund Balance, End of Year	<u>\$ 345,321</u>	<u>-</u>	<u>\$ 400,818</u>	<u>\$ 55,497</u>

See notes to the financial statements.

***Reports Required by Government
Auditing Standards***

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CERTIFIED PUBLIC ACCOUNTANTS

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
Amelia, Louisiana

We have audited the basic financial statements of Gravity Drainage District No. 6, as of and for the year ended September 30, 2003, and have issued our report thereon dated March 26, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Gravity Drainage District No. 6's basic 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 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 basic 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 the Tourist Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the basic financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item I/C 2003-1.

To the Board of Commissioners
Gravity Drainage District No. 6
Amelia, Louisiana
Page 2 of 2

Internal Control Over Financial Reporting (Continued)

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 basic 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 consider the reportable condition identified as I/C 2003-1 in the accompanying schedule of findings and questioned costs to be a material weakness.

This report is intended solely for the information and use of the Board of Commissioners (management), the 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 26, 2004
Morgan City, Louisiana

Gravity Drainage District No. 6 of the Parish of St. Mary
 State of Louisiana
Schedule of Findings and Questioned Costs
 For The Year Ending September 30, 2003

We have audited the financial statement of Gravity Drainage District No. 6 as of and for the year ended September 30, 2003, and have issued our report thereon dated March 26, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our audit of the financial statements as of September 30, 2003 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control:

Material Weakness YES NO
 Reportable Conditions YES NO

Compliance:

Compliance Material to Financial Statements YES NO

b. Federal Awards

The auditor has determined that there were no federal awards received by the Commission therefore this section is not applicable.

Internal Control:

Material Weakness YES NO
 Reportable Conditions YES NO

Type of Opinion on Compliance for Major Programs:

Unqualified Qualified
 Disclaimer Adverse

Are their findings required to be reported in accordance with Circular A-133, Section .510(a)?
 YES NO

c. Identification of Major Program:

CFDA Number (s) Name of Federal Program (or Cluster)

The auditor has determined that there were no federal awards received by the District, therefore this section is not applicable.

Gravity Drainage District No. 6 of the Parish of St. Mary
State of Louisiana
Schedule of Findings and Questioned Costs
For The Year Ending September 30, 2003

Section II - Financial Statement Findings

I/C 2003-1: Material Weakness - Segregation of Duties

Our examination disclosed that there is very little segregation of duties amongst the District's accounting functions, particularly in the areas of cash disbursements, cash receipts, bank reconciliations, general ledger and journal entries. This weakness is due to the fact that the District employs only one person to attend to the various accounting functions. Due to the lack of segregation of duties, possible errors or irregularities could occur in the accounting records and not be detected timely.

We recommend the following procedures as suggestions to compensate for the lack of segregation of duties within the District's accounting function:

- 1) Board approval for all invoices before the invoice is paid.
- 2) Require signatures of two approved Board members on each check to be written.
- 3) Have the monthly bank statement mailed direct to a Board member each month. This member could prepare the monthly bank reconciliation or at least do a review of checks clearing the bank statement. This review would include comparing the information on each cancelled check to the check register maintained by the bookkeeper, verifying payments were made to authorized vendors, and verifying approved signatures.
- 4) On a monthly basis the Board should review the cash disbursements journal for agreement to the check register and cancelled checks.
- 5) On a monthly basis the Board should review the general ledger and journal entries to ascertain if the recorded transactions were consistent with those previously approved by the Board.
- 6) The Board should review bank statements and journals to verify that tax collections are deposited timely and agree to the remittance stub information received from the sheriff.

This list is not intended to be all inclusive of procedures that could be instituted to strengthen internal controls but to provide suggestions that the Board may consider to better monitor its accounting function due to a accounting personnel.

Section III - Federal Award Findings and Questioned Costs

The auditor has determined that there were no federal awards received by the District, therefore this section is not applicable.

Gravity Drainage District No. 6 of the Parish of St. Mary
 State of Louisiana
Status of Prior Audit Findings
 Year Ended September 30, 2003

<u>Reference Number</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
Section I - Internal Control and Compliance Material to the Financial Statements:				
	9/30/2002	Segregation of Duties	Partially	Continue Monitoring

Section II - Internal Control and Compliance Material to Federal Awards:

None reported in the prior year.

Section III - Management Letter:

None presented in the prior year.

This schedule has been prepared by management.

Gravity Drainage District No. 6 of the Parish of St. Mary
 State of Louisiana
Corrective Action Plan
 For The Year Ending September 30, 2003

<u>Reference Number</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name(s) of Contact Person(s)</u>	<u>Anticipated Completion Date</u>
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Section I - Internal Control and Compliance Material to the Financial Statements:

I/C 2003-1	Segregation of Duties	(See Response)	Leroy Breaux	Continue Monitoring
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Corrective Action Plan

The Board of Commissioners has provided the following response and corrective action plan to the segregation of duties finding. The Board has identified the following compensating controls that are in effect. The Board has always reviewed and approved invoices for payment or any other cash disbursements to be made. The Board has always required dual signatures of approved members on any checks to be written. The monthly bank statement is mailed to a Board member who opens and reviews the deposits and checks clearing the statement with the Board at the monthly meeting, prior to presenting the statement to the bookkeeper for reconciliation. The Board reviews the bank balances at the monthly meetings. The Board will consider changing the monthly bank statement mailing and reconciliation procedures. 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 Board acknowledges the loss of internal control that results with their limited staff and are constantly monitoring for any problems or irregularities.

Section II – Internal Control and Compliance Material to Federal Awards:

Section III - Management Letter:

There was no management letter issued with this engagement.

This schedule has been prepared by management.