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Financial Report
Gravity Drainage District No. 3
of the Parish of St. Mary,
State of Louisiana
December 31, 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 18 1998

TABLE OF CONTENTS

Gravity Drainage District No. 3 of the Parish of St. Mary

December 31, 1997

	Exhibit	Page Number
Introductory Section		
Title Page		i
Table of Contents		ii
Financial Section		
Independent Auditor's Report		1
Combined Balance Sheet - Governmental Fund Type and Account Group	A	3
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	B	4
Notes to Financial Statements	C	5
Special Reports Of 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		10



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners,
Gravity Drainage District No. 3
of the Parish of St. Mary,
State of Louisiana,
Morgan City, Louisiana.

We have audited the accompanying financial statements of Gravity Drainage District No. 3, (the District), a component unit of the St. Mary Parish Council, State of Louisiana, as of and for the year ended December 31, 1997, as listed in the table of contents. These financial statements are the responsibility of the District'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 the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. These 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 financial statements referred to above present fairly, in all material respects, the financial position of the Gravity Drainage District No. 3, as of December 31, 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 our report dated February 27, 1998 as our consideration of the Gravity Drainage District No. 3's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants.

Bonigain Bennett, L.L.C.

Certified Public Accountants.

New Orleans, La.,
February 27, 1998.

**COMBINED BALANCE SHEET - GOVERNMENTAL FUND TYPE
AND ACCOUNT GROUP**

Gravity Drainage District No. 3 of the Parish of St. Mary

December 31, 1997

	<u>Governmental Fund Type General</u>	<u>Account Group General Fixed Assets</u>	<u>Totals (Majoritarian Only)</u>	
			<u>1997</u>	<u>1996</u>
ASSETS				
Cash in bank	\$ 90,842		\$ 90,842	\$ 83,514
Ad valorem taxes receivable	96,617		96,617	114,697
Fixed assets	<u> </u>	<u>\$2,641,080</u>	<u>2,641,080</u>	<u>2,641,080</u>
Total assets	<u>\$ 187,459</u>	<u>\$2,641,080</u>	<u>\$2,828,519</u>	<u>\$2,829,291</u>
FUND EQUITY				
Investment in general fixed assets		\$ 2,641,080	\$ 2,641,080	\$ 2,641,080
Fund balance - unreserved	<u>\$ 187,459</u>	<u> </u>	<u>187,459</u>	<u>198,211</u>
Total fund equity	<u>\$ 187,459</u>	<u>\$2,641,080</u>	<u>\$2,828,539</u>	<u>\$2,839,291</u>

See notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**

Gravity Drainage District No. 3 of the Parish of St. Mary

For the year ended December 31, 1997

with comparative amounts for the year ended December 31, 1996

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>	<u>1996 Actual</u>
Revenues				
Ad valorem taxes	\$ 130,800	\$ 127,478	\$ (3,322)	\$ 140,794
State revenue sharing funds	14,800	14,348	308	14,466
Interest earned	1,500	3,619	2,119	1,638
Total revenue	<u>145,500</u>	<u>145,443</u>	<u>(57)</u>	<u>156,898</u>
Expenditures				
General government:				
Accounting	2,500	2,500	-	2,400
Ad valorem tax deductions	4,000	3,950	50	4,046
Board meetings	4,000	3,900	100	4,160
Insurance	24,000	24,460	(460)	22,132
Maintenance and repairs	120,000	121,067	(1,067)	67,261
Office expenses	500	318	182	378
Total expenditures	<u>155,000</u>	<u>156,195</u>	<u>(1,195)</u>	<u>103,377</u>
Excess (deficit) of revenues over expenditures	<u>(9,500)</u>	<u>(10,752)</u>	<u>(1,252)</u>	<u>56,521</u>
Fund Balance				
Beginning of year	198,211	198,211	-	141,696
End of year	<u>\$ 188,711</u>	<u>\$ 187,459</u>	<u>\$ (1,252)</u>	<u>\$ 198,211</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS**Gravity Drainage District No. 3 of the Parish of St. Mary**

December 31, 1997

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Gravity Drainage District No. 3 (the District) conform to generally accepted accounting principles as applicable to governments.

The following is a summary of certain significant accounting policies:

a. Reporting Entity

The District is a component unit of the Parish of St. Mary, State of Louisiana (the Parish) and as such, these financial statements will be included in the comprehensive annual financial report (CAFR) of the Parish for the year ended December 31, 1997.

The District has reviewed all of its activities and determined that there are no potential component units which should be included in its financial statements.

b. Fund Accounting

The government 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. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Fund Accounting (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 following is the Governmental Fund of the District:

General Fund (Maintenance Fund)

The General Fund is the general operating fund of the Gravity Drainage District No. 3 of St. Mary Parish. It is used to account for all financial resources except those required to be accounted for in another fund.

c. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Ad valorem taxes are considered "measurable" at the time of levy.

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

d. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Operating Budgetary Data

As required by the Louisiana Revised Statutes 39:1303 the Board of Commissioners (the Board) adopted a budget for all funds of the District. The Board, as allowed by state law, does not obtain public participation in the budget process. Any amendment involving the transfer of monies from one function to another or increases in expenditures must be approved by the Board. All budgeted amounts which are not expended, or obligated through contracts, lapse at year end.

The budgets are adopted on a basis materially consistent with generally accepted accounting principles.

Encumbrances accounting, under which purchase orders, contracts and other commitments are recorded in the fund general ledger, is not utilized by the District.

f. Bad Debts

The financial statements for the District contain no allowance for bad debts. Uncollectible amounts due for ad valorem taxes are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. These amounts are not considered to be material in relation to the financial position or operations of the Funds.

g. General Fixed Assets

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Asset Account Group, rather than in governmental funds. The Account Group is not a fund. It is concerned only with the measurement of financial position. It is not involved with the measurement of results of operations. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost. Donated fixed assets are valued at their estimated fair value on the date donated.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Vacation and Sick Leave

The District has no full-time employees.

l. Total Column on Combined Statement - Overview

The total column on the combined statement - overview is captioned memorandum only to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations, 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.

j. Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the government's financial position and operations.

Note 2 - CASH AND INVESTMENTS

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States, certificates of deposit of state or national banks having their principal office in Louisiana or any other federally insured investment.

State law also requires that deposits of all political subdivisions be fully collateralized at all times. Acceptable collateralization includes the FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. 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.

During the year the District's investments consisted solely of certificates of deposit. The District's cash at December 31, 1997 is not in excess of the FDIC insurance and pledged securities.

Note 3 - PROPERTY TAXES

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 Parish. 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 revaluation of all property is required to be completed no less than every four years. A revaluation was completed for the list of January 1, 1996. Taxes are due and payable December 31 with interest being charged on payments after February 1. The tax rate for the year ended December 31, 1997 was \$4.48 per \$1,000 of assessed valuation for general maintenance of the system.

Note 4 - CHANGES IN GENERAL FIXED ASSETS

There were no additions or deletions of general fixed assets for the year ended December 31, 1997.

A schedule of general fixed assets follows:

Land	\$ 8,366
Drainage System	<u>1,632,714</u>
Total	<u>\$1,641,080</u>

Note 5 - PAYMENTS FOR BOARD OF COMMISSIONERS MEETINGS

Board members were paid for meetings attended during 1997 as follows:

<u>Board Members</u>	<u>Number of Meetings Attended</u>	<u>Total Amount Received</u>
Raymond Barousse	14	\$ 910
R. Mendosa	9	585
E. H. Opitz	13	845
Wilson Stephens	10	650
Harrel Wilson	14	<u>910</u>
Total		<u>\$3,900</u>



Morgan & Bennett

**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. 3
of the Parish of St. Mary,
State of Louisiana,
Morgan City, Louisiana.

We have audited the financial statements of the Gravity Drainage District No. 3 (the District), a component unit of the St. Mary Parish Council, State of Louisiana, as of and for the year ended December 31, 1997, and have issued our report thereon dated February 27, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District'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 these 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 District'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 matter involving the internal control over financial reporting and its operations 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 judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Condition - All accounting functions of the District are performed primarily by a member of the Board of Commissioners. The Board approves all expenditures and two board members sign all checks.

Recommendation - We recommend the Board continue the significant supervision of the financial affairs of the District.

Response - The Board will continue to exercise significant supervision and control of the financial affairs of the District.

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 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 not a material weakness.

This report is intended for the information of the Board of Commissioners, management, the State of Louisiana and the Legislative Auditor for the State of Louisiana. However, this report is a matter of public report and its distribution is not limited.

Bourgeois Bennett, L.L.C.

Certified Public Accountants

New Orleans, La.
February 27, 1998.