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SEVENTH WARD GRAVITY DRAINAGE DISTRICT NO. 2  
OF VERMILION PARISH

FINANCIAL REPORT

DECEMBER 31, 1989

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.

**AUG 04 1990**

Release Date: \_\_\_\_\_

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**INDEPENDENT AUDITOR'S REPORT**

The Honorable Kenneth M. Bart  
 and the Board of Commissioners  
 Seventh Ward Gravity Drainage District No. 2  
 Metairie, Louisiana

Metairie, LA  
 70002-3000

Opalville, LA  
 70057-0000

Abbeville, LA  
 70511-0000

New Orleans, LA  
 70112-0000

Metairie, LA  
 70002-0000

Metairie, LA  
 70002-0000

We have audited the financial statements of the Seventh Ward Gravity Drainage District No. 2, a component unit of the Metairie Parish Police Jury, as of and for the two years ended December 31, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Lawrence J. Gaudin, CPA  
 Roger W. Johnson, CPA  
 Raymond Kelly, CPA  
 James L. Lacroix, CPA  
 Louis A. Meyer, CPA  
 Ronald R. Rouse, CPA  
 J. Theodore Smith, CPA  
 Kenneth S. Thomas, CPA  
 J. Eric Winters, CPA  
 Stephen J. Anderson, CPA  
 David J. Broussard, CPA  
 Deborah J. Cramer, CPA  
 Craig D. Dugas, CPA  
 George H. Grier, CPA  
 Gregory B. Hines, CPA  
 J. Christopher King, CPA  
 Patrick M. O'Connell, CPA

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 statements 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 Seventh Ward Gravity Drainage District No. 2 of Metairie Parish as of December 31, 1998, and the results of its operations for the two years then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 28, 1999 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.

IN TESTIMONY WHEREOF, we have hereunto set our hands and the Seal of the Firm, this 28th day of April, 1999.

James B. Breaux, CPA  
 David S. Breaux, CPA  
 Craig S. Lewis, CPA  
 Gerald J. Winters, CPA  
 Raymond Kelly, CPA  
 Roger W. Johnson, CPA

MEMBER-ASSOCIATE FELLOW OF  
 THE AMERICAN INSTITUTE OF  
 CERTIFIED PUBLIC ACCOUNTANTS  
 MEMBER-ASSOCIATE FELLOW  
 OF THE NATIONAL ASSOCIATION  
 OF STATE SOCIETIES OF  
 CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Kenneth D. ESTE  
and the Board of Commissioners  
Seventh Ward Gravity Drainage District No. 2

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of Seventh Ward Gravity Drainage District No. 2 taken as a whole. The schedule listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements of the Seventh Ward Gravity Drainage District No. 2. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects in relation to the general purpose financial statements taken as a whole.

*Broussard, Pochi, Laine & Breau LLP*

Crowley, Louisiana  
April 22, 2009

REVENUE AND EXPENDITURE STATEMENT DISTRICT NO. 2  
 VERMILION PARISH POLICE JURY

BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
 DECEMBER 31, 1999

ASSETS	Governmental	Account	Total (Memorandum Only)
	Fund Type	Group General	
	General Fund	Fund Assets	
Cash	\$128,895	\$ -	\$128,895
Receivables	282,688	-	282,688
<b>Total assets</b>	<b>\$411,583</b>	<b>\$128,768</b>	<b>\$540,351</b>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>Liabilities:</b>			
Retainage from ad valorem taxes	\$ 13,748	\$ -	\$ 13,748
Accounts payable	6,132	-	6,132
<b>Total liabilities</b>	<b>\$ 19,880</b>	<b>\$ -</b>	<b>\$ 19,880</b>
<b>Fund Equity:</b>			
Investment in general fixed assets	-	\$128,768	\$128,768
<b>Fund balances:</b>			
Unreserved - undesignated	\$421,703	-	\$421,703
<b>Total fund equity</b>	<b>\$421,703</b>	<b>\$128,768</b>	<b>\$550,471</b>
<b>Total liabilities and fund equity</b>	<b>\$441,663</b>	<b>\$128,768</b>	<b>\$570,431</b>

See Notes to Financial Statements.

SEVENTH WARD GRAVITY DRAINAGE DISTRICT NO. 2  
VERMILION PARISH POLICE JURY

COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - ALL OPERATIONAL FUND TYPES  
YEAR ENDING DECEMBER 31, 1998

	<u>General</u> <u>Fund</u>
<b>Revenues:</b>	
Taxes:	
Ad valorem	\$500,387
Intergovernmental:	
State revenue sharing	12,049
Other	<u>18,023</u>
Total revenues	\$530,459
<b>Expenditures:</b>	
Current:	
Public works - drainage:	
Salaries	\$110,381
Compensation paid to board of commissioners	2,000
Advertising	120
Accounting and legal	800
Rent	8,450
Insurance	14,084
Materials and supplies	25,189
Drainage maintenance	12,159
Repairs and maintenance	10,589
Gas and oil	8,928
Fees, permits and licenses	1,700
Insurance - group	10,208
Payroll tax	3,833
Office expense	833
Pension contributions	4,280
Pension (ad valorem deduction)	11,248
Telephone	-
Uncollected taxes	2,647
Utilities	900
Utilities	1,594
Capital outlay	47,240
Debt service:	
Principal retirement	100,333
Interest and fiscal charges	<u>4,320</u>
Total expenditures	<u>464,854</u>
Excess of revenues over expenditures	
Local transfers	\$165,605

SEVENTH WARD SANITARY DRAINAGE DISTRICT NO. 2  
 FIFTH-10TH WARRIOR POLICE JURY

COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES (CONTINUED)  
 Year Ended December 31, 1988

	General Fund
Deficiency of revenues over expenditures Total forwarded	\$128,100
Fund balances, beginning	324,488
Residual equity transfers in (out)	-----
Fund balances, ending	<u>\$496,588</u>

See Notes to Financial Statements.

SEVENTH WARD SEWER DRAINAGE DISTRICT NO. 2  
VERMILION BRASS FOUNDRY DIST.

COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
Year Ended December 31, 1987

	General <u>Fund</u>	Debt Service <u>Fund</u>	Total Incorporation <u>Costs</u>
<b>REVENUES:</b>			
<b>Taxes:</b>			
Ad valorem	\$348,519	\$ -	\$348,519
<b>Intergovernmental:</b>			
State revenue sharing	12,942	-	12,942
Other	<u>12,882</u>	<u>21</u>	<u>12,903</u>
Total revenues	<u>\$374,343</u>	<u>\$ 21</u>	<u>\$374,364</u>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
<b>Public works - Drainage:</b>			
Salaries	\$313,800	\$ -	\$313,800
Compensation paid to board of commissioners	2,588	-	2,588
Advertising	215	-	215
Accounting and legal	1,808	-	1,808
Rent	8,819	-	8,819
Insurance	24,361	-	24,361
Materials and supplies	21,727	-	21,727
Drainage maintenance	24,827	-	24,827
Repairs and maintenance	21,728	-	21,728
Gas and oil	8,248	-	8,248
Fees, permits & licenses	1,871	-	1,871
Insurance - group	19,588	-	19,588
Depreci. exp.	2,527	-	2,527
Office expense	2,125	-	2,125
Pension contributions	2,380	-	2,380
Pension (ad valorem deduction)	18,827	-	18,827
Telephone	245	-	245
Uncollected taxes	18,187	-	18,187
Utilities	846	-	846
Uniforms	1,854	-	1,854
<b>Debt service:</b>			
Principal retirements	12,881	-	12,881
Interest and financial charges	<u>1,222</u>	<u>-</u>	<u>1,222</u>
Total expenditures	<u>\$327,322</u>	<u>\$ -</u>	<u>\$327,322</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>			
Available for	<u>\$ 47,021</u>	<u>\$ 21</u>	<u>\$ 47,042</u>



SEVENTH WARD SAFETY DRAINAGE DISTRICT NO. 3  
VERMILION PARISH POLICE JURY

COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES (CONTINUED)  
Year Ended December 31, 1997

	General Fund	PORT SERVICE Fund	TOTAL Governmental Funds
Excess of revenues over expenditures (amounts forwarded)	\$ 48,455	\$ 50	\$ 48,505
Fund balances, beginning	488,921	1,378	490,299
Residual equity transfers in total	<u>3,422</u>	<u>2,422</u>	<u>-</u>
Fund balances, ending	<u>\$534,805</u>	<u>\$1,820</u>	<u>\$536,625</u>

See Notes to Financial Statements.

SEVENTH WARD GRANTY BRASSAGE DISTRICT NO. 2  
OF VERMILION PARISH

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

As provided by Louisiana Revised Statute 18:1708, the Seventh Ward Granty Brassage District No. 2 of Vermilion Parish is governed by five commissioners. These five commissioners are referred to as the Board of Commissioners and are appointed by the parish police jury. The Brassage District was created under the authority of Louisiana Revised Statute 18:1761-1863 and was established for the purpose of opening and maintaining all natural drains in the district.

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. All GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

In conformance with GASB Codification Section 1108, the Brassage District is a component unit of the Vermilion Parish Police Jury, the governmental body of the parish and the governmental body with oversight responsibility. The accompanying financial statements present information only on the funds maintained by the district and do not present information on the police jury, the general government services provided by that governmental unit, and other governmental units that comprise the governmental reporting entity.

A. Fund accounting

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Revenues are accounted for in these individual funds based upon the purpose for which they are spent and the means by which spending activities are controlled. The two governmental funds presented in the financial statements are described as follows:

General Fund:

The general fund is the general operating fund of the district. It accounts for all financial resources except those required to be accounted for in other funds.

DEBT SERVICE FUND:

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligations principal, interest, and related costs.

## NOTES TO FINANCIAL STATEMENTS

### B. General fixed assets and general long-term obligations

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds. Public domain or infrastructures are not capitalized. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost.

Long-term liabilities expected to be financed from governmental funds are accounted for in the general long-term debt account group, not in the governmental funds.

The two account groups are not funds. They are concerned only with the measurement of financial position and do not involve measurement of results of operations.

### 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 basis applied. The district's accounts are reported on the modified accrual basis of accounting using the following practices in recording revenues and expenditures:

#### Revenues:

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

The following is a summary of levied ad valorem taxes:

	<u>1998</u>	<u>1997</u>
GENERAL CORPORATE PURPOSES:		
Operations and maintenance	<u>11.53</u>	<u>13.53</u>

#### Expenditures:

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred except for principal and interest on general long-term debt which is recognized when due.

NOTES TO FINANCIAL STATEMENTS

D. Budget

Louisiana law exempts all special districts created before December 31, 1974, from the requirements of the Local Government Budget Act. The Seventh Ward Sewerage Drainage District No. 2 of Vermilion Parish was created January 2, 1968, and, accordingly, is exempt from budgetary requirements. Management has determined that, due to the amount and nature of the expenditures, the adoption of a budget is not required for control purposes. Therefore, the accompanying financial statements do not include a comparison of revenues and expenditures to budget.

E. Cash and Investments

For reporting purposes, cash and investments include cash, demand deposits, time deposits, and certificates of deposit. 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. Further, the District may invest in time deposits or certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

Cash and investments are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times be equal to the amount on deposit with the bank. These pledged securities are held in the name of the pledging bank in a custodial bank that is mutually acceptable to the parties involved. The following is a summary of cash and investments at December 31, 1988, with the related federal deposit insurance and pledged securities:

	Bank Balance	FDIC Insurance	Balance Uninsured
Cash	112,207	112,207	\$ 37,337
Securities pledged and held by the custodial bank in the bank's name (Category II)			1508,122
Reserve of FDIC insurance plus pledged securities OVER CASH PLUS INVESTMENTS			2145,122

- NOTES TO FINANCIAL STATEMENTS

F. Pensions

Employees of the Drainage District are covered under the Municipal Employees' Retirement System and/or the Federal Insurance Contributions Act (social security). The employee and the District contribute equally to the social security system.

G. Vacation and sick leave

Full-time employees of the District with more than one year of service are allowed two weeks of vacation leave each year; full-time employees with one year's service or less are allowed one week of vacation leave each year. Sick leave is granted on an individual basis as the need arises. Vacation and sick leave may not be accumulated and carried into future years. At December 31, 1998, there are no accumulated vacation benefits that require accrual or disclosure to conform with generally accepted accounting principles.

H. Total columns on financial statements

The total columns on the financial statements are captioned "Memorandum Only" (overlaid) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Entries in such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note D. Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	Equipment
Balance, December 31, 1998	648,250
Additions - 1997 and 1998	45,265
Reductions - 1997 and 1998	(115,125)
Balance, December 31, 1998	578,390

NOTES TO FINANCIAL STATEMENTS

NOTE 3. Changes in General Long-Term Obligations

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

	<u>Capital Lease</u>
Balance, December 31, 1996	\$137,034
Reductions:	
1997 Principal payments	32,841
1998 Principal payments	<u>108,333</u>
Balance, December 31, 1998	<u>\$</u>

In 1996, the District purchased an excavator under a five year capital lease at a cost of 172,184. Upon expiration of the lease, the ownership will transfer automatically to the District. The District made total lease payments during 1996 and 1997 of \$104,487 and \$48,037, respectively. Of these amounts, \$1,138 and \$7,356 related to interest. The District paid out this lease in 1998 and, as a result, there are no future minimum lease payments as of December 31, 1998.

NOTE 4. Receivables

The following is a summary of receivables at December 31, 1998:

	<u>General Fund</u>
All others tax	\$374,118
State revenue sharing	<u>8,372</u>
	<u>\$382,490</u>

NOTE 5. Pension Plan

In December, 1991, the Board voted to join as of April 1, 1994, the Parochial Employees' Retirement System of Louisiana (PERS), a multiple-employer, public employee retirement system ("system"), controlled and administered by a separate board of trustees. The system is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. Employees of the Bridge District are members of Plan A. As December 31, 1998, three of the eight full or part time employees were eligible and participated in the system.

NOTES TO FINANCIAL STATEMENTS

All permanent employees working at least 28 hours per week who are paid wholly or in part from funds and all elected parish officials are eligible to participate in the system. Under Plan A, employees who retire at or after age 60 with at least 10 years of credited service, at or after age 55 with 25 years of credited service, or at any age with at least 30 years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final average compensation multiplied by the employee's years of credited service. However, for those employees who were members of the supplemental plan only prior to January 1, 1988, the benefit is equal to 1 percent of final average compensation, plus \$24.50 for each year of supplemental plan only service earned prior to January 1, 1988. Final compensation is the employee's monthly earnings during the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of credited service stated previously and who do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The system also provides death and disability benefits. Benefits are established by state statute.

The parochial Employees Retirement System issued a publicly available financial report that includes financial statements and required supplemental information. The report can be obtained by writing to the Parochial Employees Retirement System, P.O. Box 14819, Baton Rouge, Louisiana 70803-4819.

Contributions to the system include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of the parish. These tax dollars are divided between Plan A and Plan B, based proportionately on the salaries of the active members of each plan. During 1986 and 1987, state statute requires employees covered by Plan A to contribute 8.58 percent of their salaries to the system; the District must contribute 1.78 percent of the salary of each employee covered by Plan A as an employee match. The District's contribution for the years ended December 31, 1986, 1987, 1988 and 1989 were \$1,281, \$2,128, \$1,516 and \$1,556, respectively, equal to the required contributions for each year.

Note 4. Year 2000 Issue

The District is currently in the "workdown stage" in relation to the Year 2000 issue. The District's management has begun to assess the impact of Year 2000 on the operations of the District. As of December 31, 1989, the amount of work involved and resources required, if any, to become Year 2000 compliant has not been determined.

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## SUPPLEMENTARY INFORMATION

SEVENTH WARD GRAVITY SEWERAGE DISTRICT NO. 2  
VENOULIER PARISH POLICE JURY

SCHEDULE OF COMPENSATION PAID TO BOARD OF COMMISSIONERS  
Years Ended December 31, 1988 and 1987

	1988	1987
Robert Brownard	\$ 600	\$ 700
Bernard Choate	600	600
J.C. Griffin	700	700
Billy Long	600	600
Total	<u>\$2,500</u>	<u>\$2,600</u>

The schedule of compensation paid board members was prepared in compliance with House Concurrent Resolution No. 61 of the 1979 Session of the Louisiana Legislature.

The board members receive \$60 per diem for attendance at meetings of the Board. Kenneth de Hart, President, received \$18,670 and \$9,670 during 1988 and 1987, respectively, in lieu of per diem for his official duties as president of the Board.



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED  
ON AN ASPECT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Lafayette, LA  
70503-0000

Shreveport, LA  
71201-0001

Monroe, LA  
70132-0001

New Orleans, LA  
70112-0001

Slidell, LA  
70461-0001

Thibodaux, LA  
70301-0001

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Public Accounting

**The Honorable Kenneth DeRost  
and the Board of Commissioners  
Seventh Ward Gravity Drainage District No. 2  
Shreveport, Louisiana**

We have audited the general purpose financial statements of Seventh Ward Gravity Drainage District No. 2 of Vermilion Parish, a component unit of the Vermilion Parish Police Jury, as of and for the two years ended December 31, 1994, and have issued our report thereon dated April 28, 1995. 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 Seventh Ward Gravity Drainage District No. 2'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 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 Seventh Ward Gravity Drainage District No. 2'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 operations that we consider to be a reportable condition. Reportable conditions involve matters

The Honorable Kenneth Delfert  
and the Board of Commissioners  
Newark Ward Sewerage Drainage District No. 3

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 Newark Ward Sewerage Drainage District No. 3's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 98-3.

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 considered the reportable condition described above, item 98-3, to be a material weakness.

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

*Brousseau, Poché, Lenoir & Broussard P.A.*

Crowley, Louisiana  
April 29, 1999

SEVENTH WARD GRAVITY DRAINAGE DISTRICT NO. 2 OF TERRILLION PARISH  
MONROE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Two Years Ended December 31, 1998

We have audited the financial statements of Seventh Ward Gravity Drainage District No. 2 of Terrillon Parish, as of and for the two years ended December 31, 1998, and have issued our report thereon dated April 19, 1999. 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. Our audit of the financial statements as of December 31, 1998 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 Weaknesses X Yes \_\_\_ No Reportable Conditions X Yes \_\_\_ No

Compliance

Compliance Material to Financial Statements \_\_\_ Yes X No

**b. Federal Awards**

The District did not receive any federal awards for the two years ended December 31, 1998.

**Section II Financial Statement Findings**

**FF-1 Segregation of Duties**

**Finding:** In reviewing the internal control over financial reporting, we noted that there was an inadequate segregation of duties.

**Cause:** Due to the limited number of personnel performing administrative functions, the same person writes checks, checks the mail, reconciles the bank statements and enters information into the general ledger.

**Recommendation:** We recommend that duties be segregated in such a way as to facilitate an adequate segregation of duties.

**Response:** The Board has evaluated this inadequacy and has concluded that the District cannot afford to hire more administrative employees due to the District's limited resources. The issue would remain the same.

Questioned costs: \$0.00

**Section III Federal Award Findings and Questioned Costs**

The District did not receive any federal awards for the two years ended December 31, 1998.

SEVENTH WIND GORRITY DRAINAGE DISTRICT NO. 2 OF VERMILION BRANCH

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Two Years Ended December 31, 1998

I. Internal Control and Compliance Material to the Financial Statements

1998 - General Administration

Findings: In reviewing the internal control structure, we noted inadequate segregation of duties exists.

Cause: Inadequate segregation of duties exists due to the limited number of personnel performing the administrative functions.

Current status: An inadequate segregation of duties still exists. The Board has evaluated this inadequacy and concluded the related costs versus benefits to be realized does not justify the additional personnel it would require to establish an adequate segregation. This finding is disclosed in the current schedule of findings and questioned costs as item 08-1.

II. Internal Control and Compliance Material to Federal Awards

The prior year's report did not disclose any findings relative to federal awards.

III. Management Letter

The prior year's report did not include a management letter.



Seventh Ward Gravity Drainage District No. 2  
April 29, 1999  
Page 2

We recommend management address the foregoing issues as an improvement to operations and the administration of public programs. We are available to further explain the suggestions or help implement the recommendation.

BRUSNARD, PACHO, LECHE & BREWER, L.L.P.  
Certified Public Accountants

*Brusnard, Pacho, Leche & Brewer L.L.P.*



SEVENTH WARD GRAVITY DRAINAGE DISTRICT NO. 2  
OF ILLINOIS PRINCE

MANAGEMENT'S CORRECTIVE ACTION PLAN  
Two Years Ended December 31, 1998

**SECTION I. Internal Control and Compliance Material to the Financial Statements**

**99-1 Segregation of Duties**

**Findings:** In reviewing the internal control over financial reporting, we noted that there was an inadequate segregation of duties.

**Cause:** Due to the limited number of personnel performing administrative functions, the same person writes checks, checks the mail, reconciles the bank statement and enters information into the general ledger.

**Recommendation:** We recommend that duties be segregated in such a way as to facilitate an adequate segregation of duties.

**Response:** The Board has evaluated this inadequacy and has concluded that the District cannot afford to hire more administrative employees due to the District's limited resources. The costs would exceed the benefits. The Board feels that its requirement of two signatures on all checks as well as the oversight of the Treasurer should help compensate for the inadequate segregation of duties.

**Questioned costs:** Nil.

**SECTION II. Internal Control and Compliance Material to Federal Awards**

The District did not receive any federal awards for the two years ended December 31, 1998.

**SECTION III. MANAGEMENT ACTION**

**1998-1 Board Member Compensation**

**Condition:** According to Internal Revenue Code § 31.13601-1, "...officers... whether elected or appointed..." are included in the definition of employees. Therefore, any board member is considered an employee of the district for tax purposes and the compensation paid to them is subject to social security (if not member of a retirement system), Medicare (if the board member was appointed or re-appointed after March 31, 1980), and federal and state income tax withholding in 1997 and 1998.

**Cause:** Compensation paid to board members is reported to them at year-end using Form 1099. No taxes are withheld from these amounts or paid by the district on these amounts.

**Effect:** The District is not withholding taxes from the board's compensation payments or resulting tax payments as required by the Internal Revenue Service.

SEVENTH WARD CRAWFORD COUNCIL DISTRICT NO. 3  
OF WASHINGTON DISTRICT

MANAGEMENT'S COLLECTIVE BARGAINING PLAN (CONTINUED)  
Two Years Ended December 31, 1968

Section E13. Management Letter (Continued)

1968-1 Board Member Compensation

Recommendation. We recommend that payments to the Board be subject to taxes and withholdings as are employee payments. Each board member should be required to complete a Form W-4 annually.

Response: The District will immediately begin issuing Board compensation as required by the Internal Revenue Code. Taxes will be withheld and payroll taxes will be paid on board compensation.

Responsible party: Kenneth Bellart, President