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**Gravity Drainage District No. 5  
Of the Parish of St. Mary  
State Of Louisiana**

**Report on Examination of  
Financial Statements**

**For the Years Ended  
September 30, 1998 and 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.

MAR 24 1999

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Gravity Drainage District No. 5  
Parish of St. Mary  
Morgan City, Louisiana

We have audited the accompanying general purpose financial statements of Gravity Drainage District No. 5, a component unit of the Parish of St. Mary, State of Louisiana, as of and for the years ended September 30, 1998 and 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 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 component unit general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Gravity Drainage District No. 5 as of September 30, 1998 and 1997, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note I, the Gravity Drainage District No. 5, a component unit of the Parish of St. Mary, State of Louisiana, has not initiated the procedures to renew its ad valorem tax assessment for funding of operations and maintenance. On November 12, 1997, the St. Mary Parish Council created "Consolidated Gravity Drainage District No. 2 of the Parish of St. Mary," a consolidated gravity drainage district which includes the boundaries of Gravity Drainage District No. 5. The Consolidated Gravity Drainage District No. 2

has passed propositions which will allow the District to assess property taxes for the construction, operation, and maintenance of gravity and forced drainage works, the said taxes to be in lieu of and replace the levy of similar taxes previously authorized to be levied by Gravity Drainage District No. 5.

Gravity Drainage District No. 5 will transfer all assets and obligations to Consolidated Gravity Drainage District No. 2 in early 1999. The District will carryout all operations, maintenance, and construction until that time from its own resources. As directed by the St. Mary Parish Council, the District and Board of Commissioners will cease to exist and function at that time.

In accordance with Government Auditing Standards, we have also issued a report dated February 25, 1999, on our consideration of Gravity Drainage District No. 5's internal control structure and a report dated February 25, 1999, on its compliance with laws and regulations.

*LeBlanc and Carpenter*

Morgan City, Louisiana  
February 25, 1999

GRAVITY DRAINAGE DISTRICT NO. 5 OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA

Combined Balance Sheet - All Fund Types and Account Group

September 30, 1998

	<u>Governmental Fund</u> Operation & Maintenance Fund	<u>Account Group</u> General Fixed Assets	<u>Totals</u> (Memorandum Only)	
			<u>9-30-98</u>	<u>9-30-97</u>
<b>ASSETS</b>				
Cash	\$ 101,112	\$ --	\$ 101,112	\$ 93,844
Receivables				
Ad valorem taxes	--	--	--	51,062
Prepaid insurance	4,737	--	4,737	6,078
Drainage property, equipment and improvements	<u>--</u>	<u>2,354,069</u>	<u>2,354,069</u>	<u>2,354,069</u>
TOTAL ASSETS	\$ 105,849 =====	\$2,354,069 =====	\$2,459,918 =====	\$2,505,053 =====
<b>LIABILITIES</b>				
Accounts payable	\$ 7,629	\$ --	7,629	1,348
Due to St. Mary Parish Council	<u>39,000</u>	<u>--</u>	<u>39,000</u>	<u>39,000</u>
TOTAL LIABILITIES	<u>46,629</u>	<u>--</u>	<u>46,629</u>	<u>40,348</u>
<b>FUND BALANCE</b>				
Fund balance - reserved	25,598	--	25,598	25,009
Investment in fixed assets	--	2,354,069	2,354,069	2,354,069
Fund balance	<u>33,622</u>	<u>--</u>	<u>33,622</u>	<u>85,627</u>
TOTAL FUND BALANCE	<u>59,220</u>	<u>2,354,069</u>	<u>2,413,289</u>	<u>2,464,705</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ 105,849 =====	\$2,354,069 =====	\$2,459,918 =====	\$2,505,053 =====

See accompanying notes to financial statements.



GRAVITY DRAINAGE DISTRICT NO. 5 OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA

Operation and Maintenance Fund  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual

For the years ended September 30, 1998 and 1997

	9-30-98		Favorable (Unfavorable)	9-30-97 Actual
	Budget	Actual		
<b>REVENUES</b>				
Ad valorem taxes	\$ 60,000	\$ 18,684	\$(41,316)	\$ 67,585
Interest income	750	2,473	1,723	1,235
TOTAL REVENUES	60,750	21,157	(39,593)	68,820
<b>EXPENDITURES</b>				
Advertising	700	582	118	773
Auto and truck	900	900	--	900
Audit fees	3,100	3,100	--	3,100
Engineering consultants	1,200	272	928	1,179
Fuel	4,000	2,653	1,347	2,278
Insurance	10,000	9,975	25	10,943
Secretary and accounting	2,400	2,125	275	2,225
Maintenance labor	16,200	16,200	--	16,200
Office supplies	350	60	290	298
Office rent	600	383	217	585
Per diem allowance	4,000	6,565	(2,565)	4,030
Repairs and maintenance				
Drainage equipment	12,000	9,170	2,830	2,958
Drainage system	4,000	5,600	(1,600)	2,667
Emergency operations	15,000	10,000	5,000	15,375
Utilities	5,250	4,988	262	4,565
Drainage System Improvements				
Construction costs	25,000	--	25,000	8,400
TOTAL EXPENDITURES	104,700	72,573	32,127	76,476
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>				
	(43,950)	(51,416)	7,466	(7,656)
<b>OTHER SOURCES (USES)</b>				
Transfer from debt service fund	--	--	--	24,786
NET OTHER SOURCES (USES)	--	--	--	24,786
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>				
	(43,950)	(51,416)	(7,466)	17,130
<b>APPROPRIATION OF FUND</b>				
BALANCE-CASH RESERVES	43,950	--	--	--
FUND BALANCE, BEGINNING	110,636	110,636	--	93,506
FUND BALANCE, ENDING	\$ 66,686	\$ 59,220	\$ (7,466)	\$110,636
	=====	=====	=====	=====

See accompanying notes to financial statements.

GRAVITY DRAINAGE DISTRICT NO. 5  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 1998

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GRAVITY DRAINAGE DISTRICT NO. 5 OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA

Notes to Financial Statements

September 30, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Gravity Drainage District No. 5 was created and established pursuant to the provisions of an ordinance adopted by the St. Mary Parish Police Jury, in compliance with the provisions of Louisiana Revised Statutes. The District is managed by five board of commissioners as appointed by the St. Mary Parish Council. The District has full power and authority to drain lands in the district by construction, maintenance and operation of gravity and/or forced drainage facilities, including drains, drainage canals, ditches, pumps and pumping plants, dikes, levees and other related works.

The financial statements of Gravity Drainage District No. 5 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units, published by the American Institute of Certified Public Accountants.

The following is a summary of certain significant accounting policies and practices.

Reporting Entity

GASB Statement No. 14, Governmental Reporting Entity, establishes criteria for determining which organizations should be included in a governmental financial reporting entity. The focal point for defining the financial reporting entity is the primary government. The Gravity Drainage District No. 5 is a component unit of the St. Mary Parish Council (primary government) and, as such, these financial reports may be included in the CAFR of the Council for the year ended December 31, 1998. The Gravity Drainage District No. 5 has followed GASB-14 guidance to determine that there are no financial statements of other organizations that should be combined with their statements to form a financial reporting entity.

Fund Accounting

The District reports its financial position and results of operations by using funds and accounts groups. EACH FUND IS A SEPARATE ACCOUNTING ENTITY with self-balancing accounts that include assets, liabilities, fund equity, revenues, and expenditures, or



Fund Accounting (Continued)

expenses, as appropriate. An account group is a self-balancing set of accounts used for financial reporting purposes to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. The funds are grouped by fund type and classified into three broad fund categories: governmental, proprietary and fiduciary. There are two account groups. The funds and accounts groups presented in these financial statements are described below.

GOVERNMENTAL FUNDS are accounted for on a current financial resources measurement focus. The balance sheets generally contain only current assets and current liabilities. The reported fund balance (net current assets) is a measure of "available spendable resources." Governmental funds' operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) of net current assets during a period.

The OPERATION AND MAINTENANCE FUND is the general operating and administrative fund of the District. It accounts for all financial resources except those required to be accounted for in another fund or account group.

The DEBT SERVICE FUND is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

GENERAL FIXED ASSETS AND GENERAL LONG-TERM DEBT ACCOUNT GROUPS are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

The GENERAL FIXED ASSETS ACCOUNT GROUP is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

Basis of Accounting

The MODIFIED ACCRUAL BASIS OF ACCOUNTING is used by all governmental funds types. Under the modified accrual basis of accounting, REVENUES ARE RECOGNIZED when susceptible to accrual (that is, when they become both measurable and available). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers ad valorem taxes as available based on a one-year

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

availability period after year-end. EXPENDITURES ARE RECORDED when the related FUND LIABILITY is incurred except that principal and interest on general long-term debt is recognized when due.

Budgets and Budgetary Accounting

The Gravity Drainage District No. 5 follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgetary integration is employed as a management control device during the year for the Operations and Maintenance fund. The budget is prepared and adopted on a basis consistent with generally accepted accounting principles (GAAP), which for the operations and maintenance fund is the accrual basis of accounting.
- b. The Operations and Maintenance Fund Statement of Income, Expenses, and Changes in Retained Earnings - Budget and Actual present comparisons of legally adopted budgets with actual data on a budgetary basis.
- c. The District approves and adopts total budget revenue and expenditures only. The District transfers budget amounts between expenditure classifications within the fund. Therefore, the level of budgetary responsibility is by total expenditures; however, for report purposes, this level has been expanded to classifications of expenditures. Unused appropriations lapse at the end of the year.

Cash and Investments

Cash includes amounts in demand deposit checking and money market checking accounts.

State statutes authorize the District to invest in direct obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of principal and interest of such obligations is fully guaranteed by the United States; obligations of U.S. government instrumentalities which are federally sponsored; direct security repurchase agreements of obligations of the U.S. Treasury or U.S. government instrumentalities; time certificates of deposit or savings accounts; and mutual or trust fund institutions which have underlying investments consisting solely of and limited to securities of the United States government or its agencies.

Investments are stated at cost or amortized cost when applicable.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets

All items of property, plant and equipment are recorded in the general fixed assets group of accounts. Such assets are maintained on the basis of original cost (cash paid plus trade-in allowance, if applicable) and no depreciation is computed or recorded thereon. Donated fixed assets are valued at their estimated fair market value on the date donated.

Bad Debts

Uncollectible amounts due for ad valorem taxes are recognized as bad debts in the year they are deemed uncollectible. The failure to utilize the allowance method to account for bad debts is not material to the financial statements.

Total Columns on the Combined Financial Statements

The total columns on the Combined Balance Sheet and the Combined Statement of Revenues, Expenditures and Changes in Fund Balance are captioned Memorandum Only to indicate it is presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

NOTE B - CASH AND INVESTMENTS

The Gravity Drainage District No. 5 may invest in time deposits or certificate of deposits of state banks or savings and loan associations or savings banks organized under Louisiana law and national banks having principle offices in Louisiana. At present all of the District's cash is held in interest bearing demand deposit accounts. State law requires that deposits be fully collateralized at all times. Acceptable collateralization includes the \$100,000 FDIC/FSLIC insurance and the market value of securities purchased and pledged. 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 District or with an unaffiliated bank or trust company for the account of the District.

The District's cash and investments are categorized to give an indication of the level of risk assumed by the District at September 30, 1998:

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.



NOTE B - CASH AND INVESTMENTS (Continued)

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)

Cash and investments stated at cost consist of the following:

	<u>Operation &amp; Maintenance</u>
Cash - Checking	\$ 2,631
Money market checking	98,481
Certificate of deposit	<u>    --</u>
Total cash and investments	\$101,112 =====

Cash and investments categorized by level of risk are:

Amounts insured by the FDIC or collateralized with securities held by the District in its name	\$101,112
Amounts collateralized with securities held by the pledging financial institution's trust department in the District's name	--
Uncollateralized	<u>    --</u>
Total cash and investments	\$101,112 =====

NOTE C - AD VALOREM TAXES RECEIVABLE

Ad valorem taxes receivable is calculated as nine twelfths of the amount estimated to be levied and collected from the taxpayers for 1997 property taxes that accrue daily and are collectible based on a one-year availability period after year-end. 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.

Taxes receivable for the years ended September 30, 1998 and 1997 are as follows:

	<u>1998</u>	<u>1997</u>
Operation and maintenance fund	\$ 0	\$51,062
Debt service fund	<u>    --</u>	<u>    --</u>
Total	\$ 0 =====	\$51,062 =====

The District did not have a property tax millage assessment for 1998.

NOTE C - AD VALOREM TAXES RECEIVABLE (Continued)

For the years ended September 30, 1998 and 1997 the following tax mills were authorized for levy and dedicated as follows:

	<u>1998</u>	<u>1997</u>
Operation and maintenance fund	0 mills	12.0 mills
Debt service fund	<u>0 mills</u>	<u>0 mills</u>
Total	0 mills =====	12.0 mills =====

NOTE D - DUE TO ST. MARY PARISH COUNCIL

On April 23, 1997, the St. Mary Parish Council adopted a resolution to execute a "Cooperative Endeavor Agreement" with Gravity Drainage District No. 5 relative to a loan in the amount of \$39,000. The District has embarked upon a drainage improvement project which will benefit both the District and the St. Mary Parish Government.

Therefore, St. Mary Parish Government agrees to loan to the District the sum of \$39,000 (thirty-nine thousand dollars) to fund said improvements under the following terms and conditions: (1) Said funds are to be used to defray the costs of drainage improvement project being undertaken within the District; (2) The loan must be repaid within five (5) years from the date the project is completed, and (3) The loan is to be represented by that certain promissory note executed by the parties aforesaid, which said note has the following terms: no interest, payable in five (5) annual installments of \$7,800, beginning one (1) year from date of completion of project. The drainage improvement project is for improvements in the Wyandotte area and the funds are restricted for this project. The drainage project is not complete as of year-end.

NOTE E - OPERATION AND MAINTENANCE MILLAGE ASSESSMENT

On October 24, 1987, a proposition to levy a twelve mills tax on all property subject to taxation in said Gravity Drainage District No. 5 passed. The tax levy will be for a period of ten years beginning with the year 1988, ending with the year 1997, for the purpose of constructing, maintaining, and operating the drainage system of the District. At September 30, 1997, there has been no proceedings to renew this millage because of the imminent formation of a consolidated drainage district. (See Note I)



NOTE F - BOARD OF COMMISSIONERS AND PER DIEM ALLOWANCE

As of September 30, 1998 or during the year then ended, the following individuals served on the Board of Commissioners of the District or Consolidated Gravity Drainage District No. 2 and was paid per diem allowances as scheduled.

<u>Name</u>	<u>Gravity Drainage District No. 5</u>	<u>Consolidate Gravity Drainage District No. 2</u>	<u>Total</u>
Archie Vining	\$ 780	\$ --	\$ 780
Kevin Landry	715	975	1,690
Daniel Wilson	780	910	1,690
Carl Kraemer	715	975	1,690
David Devillier	<u>715</u>	<u>--</u>	<u>715</u>
	\$3,705	\$2,860	\$6,565
	=====	=====	=====

NOTE G - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>Balance 9-30-97</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance 9-30-98</u>
Drainage property, equipment and improvements	\$2,354,069	\$ --	\$ --	\$2,354,069
Total General Fixed Assets	\$2,354,069	\$ --	\$ --	\$2,354,069
	=====	=====	=====	=====

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

	<u>Balance 9-30-97</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance 9-30-98</u>
Federal Grant	\$ 992,666	\$ --	\$ --	\$ 992,666
General obligation drainage bond	700,000	--	--	700,000
Operation & Maintenance Fund	646,312	--	--	646,312
St. Mary Parish Police Jury	<u>15,091</u>	<u>--</u>	<u>--</u>	<u>15,091</u>
Total Investment In General Fixed Assets	\$2,354,069	\$ --	\$ --	\$2,354,069
	=====	=====	=====	=====

All drainage system property, equipment and improvements are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

#### NOTE H - BONDS PAYABLE AND INTEREST PAYABLE

General Obligation Drainage Bonds dated June 1, 1977 were secured by ad valorem taxes assessed on all property in the Gravity Drainage District No. 5 of the Parish of St. Mary, Louisiana. Unmatured general long-term debt is generally accounted for in the General Long-Term Debt Account Group. However, as of September 30, 1995, the District had accumulated sufficient resources in the Debt Service Fund to retire all general long-term debt principal and interest outstanding on the 1977 General Obligation Drainage Bonds. Therefore, the remaining principal and interest was recorded as 1995 debt service fund expenditures and fund liabilities. The principal amounts had been removed from the General Long-Term Debt Account Group.

All bond principal and interest payments have been made as of March 1, 1997 and the 1977 General Obligation Drainage Bonds have been retired. Excess funds remaining in the debt service totalled \$24,786 after final payment of bond principal and interest. This amount was transferred to the operation and maintenance fund and is restricted to future capital improvement projects.

#### NOTE I - SUBSEQUENT EVENTS

The St. Mary Parish Council adopted Ordinance No. 1352 on November 12, 1997 creating Consolidated Gravity Drainage District No. 2 of the Parish of St. Mary, State of Louisiana. This consolidated district includes all properties within Gravity Drainage District No. 5 as well as Gravity Drainage District No. 3 and certain additional lands adjacent to the Districts and presently not included within the boundaries of any drainage district. Consolidated Gravity Drainage District No. 2 has submitted a proposition that received voter approval in May 1998 that includes millage for operation and maintenance and millage for repayment of a substantial bond issue for capital improvement projects. This proposition received voter approval and the millages will automatically replace any existing operation and maintenance assessments on record by Gravity Drainage District No. 5 and Gravity Drainage District No. 3. The operations of Gravity Drainage District No. 5 and Gravity Drainage District No. 3 would be carried out by Consolidated Gravity Drainage District No. 2.

The twelve mill tax assessment for operation and maintenance of the drainage system of Gravity Drainage District No. 5 expired with the year 1997. The Board of Commissioners of Gravity Drainage District No. 5 determined it had the resources available to sustain its operations until early in 1999 when the District will transfer all assets and obligations to Consolidated Gravity Drainage District No. 2. As directed by the St. Mary Parish Council, the District and its' Board of Commissioners will cease to exist and function at that time.

GRAVITY DRAINAGE DISTRICT NO. 5  
OF THE  
PARISH OF ST. MARY  
STATE OF LOUISIANA

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

PERIODS ENDED SEPTEMBER 30, 1998 AND 1997

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners  
Gravity Drainage District No. 5  
Parish of St. Mary  
Morgan City, Louisiana

We have audited the general purpose financial statements of Gravity Drainage District No. 5, as of and for the years ended September 30, 1998 and 1997, and have issued our report thereon dated February 25, 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.

### **Compliance**

As part of obtaining reasonable assurance about whether Gravity Drainage District No. 5's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. There were no prior year findings or management letter comments.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Gravity Drainage District No. 5's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.



Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Gravity Drainage District No. 5's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

Our examination disclosed that there is very little segregation of duties within the District's accounting function, particularly in the areas of cash receipts, bank reconciliations, cash disbursements, general ledger and journal entries. This weakness is due to the fact that the District employs only two persons in the bookkeeping function. Due to the lack of segregation of duties, possible errors or irregularities could occur in the accounting records and not be detected. Understandably, due to the limited number of accounting personnel, the most ideal system of internal control or the most desirable accounting system may not be practicable. Also, the cost of additional employees might exceed any benefits gained. The management of the District is well aware of the loss of internal control that results with their limited staff and are constantly on watch for any problems that would arise.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of the Board of Commissioners (management), St. Mary Parish Council, and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

*LeBlanc and Carpenter*

February 25, 1999  
Morgan City, Louisiana



COMMENTS TO MANAGEMENT

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COMMENTS TO MANAGEMENT

To the Board of Directors  
Gravity Drainage District No. 5  
Parish of St. Mary  
Morgan City, Louisiana

During the performance of our audit of the Gravity Drainage District No. 5 for the year ending September 30, 1998, we noted certain immaterial instances of noncompliance with state laws that were clearly inconsequential to the audit results. However, we feel these instances of noncompliance should be communicated to the Board of Commissioners for future reference.

BUDGET AMENDMENT

In accordance with LSA-R.S. 39:1309, where the governing authority (Board of Commissioners) has received notice of a five percent variance or there has been a change in operations upon which the original adopted budget was developed, the governing authority must adopt a budget amendment. During 1998 the Board should have become aware that there was a greater than five percent variance in revenues and expenditures as originally budgeted and should have adopted a budget amendment to reflect these changes.

Management responds that the adopted budget is employed as a management planning and control device during the year and was aware that total revenues were greater than budgeted and total expenditures were less than budgeted. The present accounting and reporting procedures of the District do not facilitate the preparation of budget/actual comparisons on an interim basis, nor is personnel available to prepare such comparisons. The Board is aware and constantly monitors the requirement that expenditures shall not exceed the total of estimated funds available for the fiscal year.

These comments regarding immaterial instances of noncompliance have been made to management for future reference in planning and monitoring the activities of the Gravity Drainage District No. 5.

*LeBlanc and Carpenter*

Morgan City, Louisiana  
February 25, 1999