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GRAVITY DRAINAGE DISTRICT NO. 2  
OF VERMILION PARISH  
  
FINANCIAL REPORT  
  
DECEMBER 31, 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 6-23-04

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## BROUSSARD, POCHE', LEWIS & BREAUX, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

122 East 5th St.  
P.O. Drawer 307  
Crowley, Louisiana  
70527-0307  
phone: (337) 783-0650  
fax: (337) 783-7238

### ACCOUNTANT'S COMPILATION REPORT

*Other Offices:*

Lafayette, LA  
(337) 988-4930  
Opelousas, LA  
(337) 942-5217  
Abbeville, LA  
(337) 898-1497  
New Iberia, LA  
(337) 364-4554  
Church Point, LA  
(337) 684-2855

To the Honorable Roy Bertrand  
and the Board of Commissioners  
Gravity Drainage District No. 2  
Abbeville, Louisiana

We have compiled the accompanying general purpose financial statements of Gravity Drainage District No. 2, a component unit of the Vermilion Parish Police Jury, as of and for the year ended December 31, 2003, and the supplementary schedule, as listed in the table of contents. The statements and supplementary schedule, which is presented only for supplementary analysis purposes, were compiled in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements and supplementary schedules information that is the representation of management of the Gravity Drainage District No. 2. We have not audited or reviewed the accompanying general purpose financial statements and the supplementary schedule and, accordingly, do not express an opinion or any other form of assurance on them.

In accordance with the *Louisiana Governmental Audit Guide* and the provisions of State law, we have issued a report dated March 5, 2004 on the results of our agreed-upon procedures.

*Broussard, Poche', Lewis & Breaux LLP*

Eugene C. Gilder, CPA\*  
Donald W. Kelley, CPA\*  
Herbert Lemoine II, CPA\*  
Frank A. Stagno, CPA\*  
Scott J. Broussard, CPA\*  
L. Charles Abshire, CPA\*  
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Michael P. Crochet, CPA\* 1999  
Ralph Friend, CPA 2002

Crowley, Louisiana  
March 5, 2004

GRAVITY DRAINAGE DISTRICT NO. 2  
VERMILION PARISH POLICE JURY

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
December 31, 2003  
See Accountant's Compilation Report

	<u>Governmental Fund Types</u>	<u>Account Groups</u>	<u>Total (Memorandum Only)</u>
	<u>General Fund</u>	<u>General Fixed Assets</u>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 46,161	\$ -	\$ 46,161
Certificates of deposit	740,999	-	740,999
Receivables:			
Ad valorem taxes	185,808	-	185,808
State revenue sharing	14,223	-	14,223
Other	445	-	445
Equipment	-	345,802	345,802
<b>Total assets</b>	<b>\$ 987,636</b>	<b>\$ 345,802</b>	<b>\$ 1,333,438</b>
<b>LIABILITIES AND FUND EQUITY</b>			
Liabilities:			
Accounts payable	\$ 414	\$ -	\$ 414
Deduction from ad valorem	6,960	-	6,960
<b>Total liabilities</b>	<b>\$ 7,374</b>	<b>\$ -</b>	<b>\$ 7,374</b>
Fund equity:			
Investments in general fixed assets	\$ -	\$ 345,802	\$ 345,802
Fund balance:			
Unreserved - undesignated	980,262	-	980,262
<b>Total fund equity</b>	<b>\$ 980,262</b>	<b>\$ 345,802</b>	<b>\$ 1,326,064</b>
<b>Total liabilities and fund equity</b>	<b>\$ 987,636</b>	<b>\$ 345,802</b>	<b>\$ 1,333,438</b>

See Notes to Financial Statements.

GRAVITY DRAINAGE DISTRICT NO. 2  
VERMILION PARISH POLICE JURY

COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
Year Ended December 31, 2003  
See Accountant's Compilation Report

	<u>General Fund</u>
<b>Revenues:</b>	
Taxes	
Ad valorem	\$ 213,544
Intergovernmental	
State revenue sharing	21,335
Interest income	21,235
Sale of fixed assets	8,500
	\$ 264,614
 <b>Expenditures:</b>	
<b>Current:</b>	
Public works - drainage	
Salaries and related benefits	\$ 105,580
Compensation paid to board of commissioners	6,430
Office	587
Legal and accounting	1,300
Rent	10,380
Insurance	37,432
Repairs and maintenance	15,175
Uncollected taxes	1,941
Pension	6,960
Equipment	72,236
Other	10,678
	\$ 268,699
 Deficiency of revenues over expenditures	 \$ (4,085)
Fund balance, beginning	984,347
	\$ 980,262
	\$ 980,262

See Notes to Financial Statements.

GRAVITY DRAINAGE DISTRICT NO. 2  
VERMILION PARISH POLICE JURY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL - ALL GOVERNMENTAL FUND TYPES  
Year Ended December 31, 2003  
See Accountant's Compilation Report

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>Revenues:</b>			
<b>Taxes</b>			
Ad valorem	\$ 207,977	\$ 213,544	\$ 5,567
<b>Intergovernmental</b>			
State revenue sharing	21,584	21,335	(249)
Interest income	1,130	21,235	20,105
Sale of fixed assets	8,500	8,500	-
<b>Total revenue</b>	<b>\$ 239,191</b>	<b>\$ 264,614</b>	<b>\$ 25,423</b>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>Public works - drainage</b>			
Salaries and related benefits	\$ 115,801	\$ 105,580	\$ 10,221
Compensation paid to board of commissioners	6,110	6,430	(320)
Office	500	587	(87)
Legal and accounting	1,300	1,300	-
Rent	10,380	10,380	-
Insurance	42,072	37,432	4,640
Repairs and maintenance	17,100	15,175	1,925
Uncollected taxes	-	1,941	(1,941)
Pension	-	6,960	(6,960)
Other	11,557	10,678	879
Capital outlay	72,236	72,236	-
<b>Total expenditures</b>	<b>\$ 277,056</b>	<b>\$ 268,699</b>	<b>\$ 8,357</b>
<b>Deficiency of revenues over expenditures</b>	<b>\$ (37,865)</b>	<b>\$ (4,085)</b>	<b>\$ 33,780</b>
<b>Fund balance, beginning</b>	<b>984,347</b>	<b>984,347</b>	<b>-</b>
<b>Fund balance, ending</b>	<b>\$ 946,482</b>	<b>\$ 980,262</b>	<b>\$ 33,780</b>

See Notes to Financial Statements.

GRAVITY DRAINAGE DISTRICT NO. 2 OF VERMILION PARISH  
VERMILION PARISH POLICE JURY

NOTES TO FINANCIAL STATEMENTS  
See Accountant's Compilation Report

Note 1. Summary of Significant Accounting Policies

The Gravity Drainage District No. 2 of Vermilion Parish was created under the authority of Louisiana Revised Statutes 38:1751-1802. The Drainage District is situated in northeast Vermilion Parish and was created on August 4, 1942, for the purpose of opening and maintaining all natural drains in the district, where drainage is accomplished using the natural force of gravity.

This may be accomplished by cutting and opening new drains, ditches, and canals. As provided by Louisiana Revised Statute 38:1758, the Gravity Drainage District is governed by five commissioners. These five commissioners are collectively referred to as the board of commissioners and are appointed by the Vermilion Parish Police Jury.

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.

GASB Codification Section 2100 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Oversight responsibility by the Police Jury is determined on the basis of the following criteria:

1. Appointment of governing board
2. Designation of management
3. Ability to significantly influence operations
4. Accountability for fiscal matters
5. Scope of public service

Because the Police Jury appoints the governing board and can influence the scope of public service, the Drainage District was determined to be a component unit of the Vermilion Parish Police Jury, the governing body of the parish and the governmental body with oversight responsibility. The accompanying general purpose financial statements present information only on the funds maintained by the Drainage District and do not present information on the parish police jury, the general government services provided by the governmental unit, or the other governmental units that comprise the governmental reporting entity.

Fund accounting:

The Drainage District is organized on the basis of a fund and account groups, each of which is considered a separate accounting entity. The operations of the general fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures. The general fund is the general operating fund of the Drainage District and accounts for all of its activities.

NOTES TO FINANCIAL STATEMENTS  
See Accountant's Compilation Report

General fixed assets and long-term debt:

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

Long-term obligations are to be accounted for in the general long-term debt account group, not in the general fund. 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.

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. 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.

Interest income represents amounts earned on checking accounts and certificates of deposit invested with financial institutions. Interest earned on checking accounts is recorded when received. Interest on certificates of deposit is recorded when the certificates mature and the interest is available.

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.

Budget practices:

The budgeted revenues and expenditures are based on current figures and past experience. They are discussed, approved, adopted and amended as necessary by the Board of Commissioners at the regular monthly meetings. The budget is prepared on a basis consistent with generally accepted accounting principles. All appropriations lapse at year-end. The District does not use encumbrance accounting.



NOTES TO FINANCIAL STATEMENTS  
See Accountant's Compilation Report

Cash and investments:

Under state law, the Drainage 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.

Vacation, sick leave, and pension plan:

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 occurs. The Drainage District has no pension plan. Vacation and sick leave may not be accumulated and carried into future years. At December 31, 2003, there are no accumulated vacation benefits that require accrual or disclosure to conform with generally accepted accounting principles.

Note 2. Property Taxes

The following is a summary of levied ad valorem taxes:

General corporate purposes: 8.05

Note 3. Changes in General Fixed Assets

The following is a summary of changes in general fixed assets for the two years ending December 31, 2003:

Balance, December 31, 2002	\$320,097
Additions - 2003	72,236
Reductions - 2003	<u>(46,531)</u>
Balance, December 31, 2003	<u>\$345,802</u>

NOTES TO FINANCIAL STATEMENTS  
See Accountant's Compilation Report

Note 4. Cash and Investments

At December 31, 2003, the District has cash and investments (book balances) totaling \$785,845 as follows:

Interest-bearing demand deposits	\$ 46,161
Certificates of deposit	<u>739,684</u>
Total	<u>\$785,845</u>

Cash and certificates of deposit 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 fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged 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. The District has deposit balances (collective bank balances) of \$789,211 at December 31, 2003. These deposits are fully secured from risk by \$149,526 of federal deposit insurance (GASB Category 1) and \$968,609 of securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

Note 5. Commitments and Contingencies

The Drainage District has entered into several intergovernmental service agreements with the Vermilion Parish Police Jury whereby the Police Jury provides equipment and labor to perform various jobs, and the Drainage District promises to return a similar value of service at a later date. At December 31, 2003, no amount can be reasonably estimated as to the possible liability of the District.

SUPPLEMENTARY INFORMATION

GRAVITY DRAINAGE DISTRICT NO. 2 OF VERMILION PARISH  
VERMILION PARISH POLICE JURY

SCHEDULE OF PER DIEM PAID TO BOARD OF COMMISSIONERS  
Year Ended December 31, 2003  
See Accountant's Compilation Report

Michael Sagrera	\$1,300
Gerald LeBlouef	1,430
Johnny Gaudet	1,170
Roy Bertrand	1,430
Blaine Saunier	970
Kenneth Davenport	130
	<u>\$6,430</u>

The above schedule of compensation paid to the Board of Commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. In accordance with Louisiana Revised Statute 33:1233, the Board of Commissioners have elected the monthly payment method of compensation. Under this method, the Commissioners receive \$65 for each day of attendance at meetings of the Board, up to and including 36 days each year.



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## INDEPENDENT ACCOUNTANT'S COMPILATION REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Roy Bertrand  
and the Board of Commissioners  
Gravity Drainage District No. 2  
Abbeville, Louisiana

We have performed the procedures included in the *Louisiana Government Audit Guide* and enumerated below, which were agreed to by the management of Gravity Drainage District No. 2 and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about Gravity Drainage District No. 2's compliance with certain laws and regulations during the year ended December 31, 2003, included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

### **Public Bid Law**

1. Select all expenditures made during the year for material and supplies exceeding \$15,000, or public works exceeding \$100,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

There was an expenditure made during the period for materials and supplies that exceeded \$15,000. This purchase was made in accordance with LSA-RS 38:2211-2251. No expenditures were made during the period for public works exceeding \$100,000.

### **Code of Ethics for Public Officials and Public Employees**

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided us with the required list of board members, but failed to include a list of immediate family members of each board member as defined by the code of ethics, and a list of outside business interests of all board members and employees, as well as their immediate families.

To the Honorable Roy Bertrand  
and the Board of Commissioners  
Gravity Drainage District No. 2  
Abbeville, Louisiana

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided us with the required list.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as immediate family members.

Management provided us with the required list of board members, but failed to include a list of immediate family members as defined by the code of ethics, and a list of outside business interest of all board members and employees, as well as their immediate families.

#### ***Budgeting***

5. Obtained a copy of the legally adopted budget and all amendments.

Management provided us with a copy of the original and amended budget.

6. Trace the budget adoption and amendments to the minute book.

We traced the adoption of the original budget to the minutes of a meeting held on December 18, 2002. The amended budget was adopted at the December 2, 2003 meeting.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5% or more or if actual expenditures exceed budgeted amounts by 5% or more.

We compared revenues and expenditures of the final budget to actual revenues and expenditures. Actual revenues and expenditures for the year did not exceed budgeted amounts by more than 5%.

#### ***Accounting and Reporting***

8. Randomly select six disbursements made during the period under examination and:

- (a) trace payments to supporting documentation as to proper amount and payee;

We examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

- (b) determine if payments were properly coded to the correct fund and general ledger account; and

All six of the payments were properly coded to the correct fund and general ledger account.

- (c) determine whether payments received approval from proper authorities.

Inspection of documentation supporting each of the six selected disbursements indicated proper approvals.

To the Honorable Roy Bertrand  
and the Board of Commissioners  
Gravity Drainage District No. 2  
Abbeville, Louisiana

**Meetings**

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 through 42:12 (the open meetings law).

Gravity Drainage District No. 2 is only required to post a notice of each meeting and the accompanying agenda on the door of the District's office building. Management has asserted that such documents were properly posted.

**Debt**

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

We inspected copies of all bank deposit slips for the period under examination and noted no deposits which appeared to be proceeds of bank loans, bonds, or like indebtedness.

**Advances and Bonuses**

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advances, or gifts.

A reading of the minutes of the District for the year indicated no approval for the payments noted. We also inspected payroll records for the year and noted no instances which would indicate payments to employees which would constitute bonuses, advances, or gifts.

**Prior Comments and Recommendations**

12. Review any prior year suggestions, recommendations, and/or comments and indicate the extent to which such matters have been resolved.

Our prior year report, dated April 30, 2003, included comments and/or unresolved matters as indicated in the Summary Schedule of Prior Year Findings.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended for the use of management of Gravity Drainage District No. 2 and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor, State of Louisiana, as a public document.

*Broussard, Poché, Lewis & Breaux LLP*

Crowley, Louisiana  
March 5, 2004

**LOUISIANA ATTESTATION QUESTIONNAIRE**  
**(For Attestation Engagements of Government)**  
\_\_\_\_\_ (Date Transmitted)

Broussard, Poché, Lewis & Breaux  
P.O. Drawer 307  
Crowley, LA 70527  
\_\_\_\_\_  
(Auditors)

In connection with your compilation of our financial statements as of December 31, 2003 and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulation and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of \_\_\_\_\_.

**Public Bid Law**

It is true that we have complied with the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office..  
Yes [  ] No [  ]

**Code of Ethics for Public Officials and Public Employees**

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LSA-RS 42:1101-1124.  
Yes [  ] No [  ]

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119.  
Yes [  ] No [  ]

**Budgeting**

We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14) or the budget requirements of LSA-RS 39:34.  
Yes [  ] No [  ]

**Accounting and Reporting**

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.  
Yes [  ] No [  ]

We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:463, and/or 39:92, as applicable.  
Yes [  ] No [  ]



We have had our financial statements audited or compiled in accordance with LSA-RS 24:513.  
Yes [] No [  ]

**Meetings**

We have complied with the provisions of the Open Meetings Law, provided in RS 42:1 through 42:12.  
Yes [] No [  ]

**Debt**

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.65.  
Yes [] No [  ]

**Advances and Bonuses**

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729.  
Yes [] No [  ]

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance which may occur subsequent to the issuance of your report.

*James Hulin* Secretary 2-3-04 Date  
*Stone* Treasurer \_\_\_\_\_ Date  
*Roy Bertrand Jr.* President 2-16-04 Date

GRAVITY DRAINAGE DISTRICT NO. 2 OF VERMILION PARISH

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
Year Ended December 31, 2003

I. Internal Control and Compliance Material to the Financial Statements

Segregation of Duties

Finding: In reviewing the internal control over financing 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 bank statements, and enter information into general ledger.

Current status: This matter has not been resolved due to the fact that the District cannot afford to hire more administrative employees due to the District's limited resources. The cost would exceed the benefits.

Code of Ethics for Public Officials and Public Employees

Finding: Management failed to provide a list of immediate family members of each board member as defined by the code of ethics, and a list of outside interest of all board members and employees, as well as their immediate families.

Cause: Not all board members provided information regarding their immediate families and business interests.

Current status: Management has failed to provide a list of immediate family members of each board member as defined by the code of ethics, and a list of outside interests of all board members and employees, as well as their immediate families. The finding is included in the schedule of findings and recommendations.

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 District did not receive a management letter for the year ended December 31, 2002.

GRAVITY DRAINAGE DISTRICT NO.2 OF VERMILION PARISH

MANAGEMENT'S CORRECTIVE ACTION PLAN  
Year Ended December 31, 2003

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

Segregation of Duties

Finding: In reviewing the internal control over financing 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 bank statements, and enters information into the general ledger.

Recommendation: We recommend that duties be segregated in a way as to facilitate and 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 cost would exceed benefits.

Code of Ethics for Public Officials and Public Employees

Finding: Management failed to provide a list of immediate family members of each board member as defined by the code of ethics, and a list of outside interests of all board members and employees, as well as their immediate families.

Cause: Not all board members provided information regarding their immediate families and business interests.

Recommendation: We recommend that all board members provide information regarding immediate families and business interests.

Response: Management will provide a list of immediate family members of each board member as defined by the code of ethics, and a list of outside interests of all board members and employees, as well as their immediate families.

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

The District did not receive any federal awards for the year ended December 31, 2003.

**Section III. Management Letter**

The District did not receive a management letter for the year ended December 31, 2003.

Responsible party: Roy Bertrand, President