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GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY
Alexandria, Louisiana

Financial Statements
With Independent Auditor's Reports
As of December 31, 1996, and for the Years Ended
December 31, 1996 and 1995
With Supplemental Information Schedule

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date ~~July 03 1997~~

Herbie W. Way
Certified Public Accountant

GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH
 RAPIDES PARISH POLICE JURY
 Alexandria, Louisiana
 GOVERNMENTAL FUND - GENERAL FUND

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Budget (Non-GAAP Basis) and Actual
 For the Year Ended December 31, 1996

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
Ad valorem taxes	\$120,000	\$142,620	\$22,620
Intergovernmental revenues - state funds - state revenue sharing	10,000	9,797	(203)
Interest earnings	20,000	36,218	16,218
Miscellaneous		3,399	3,399
Total revenues	<u>150,000</u>	<u>192,035</u>	<u>42,035</u>
<u>EXPENDITURES</u>			
Current:			
Public works - drainage:			
Personal services:			
Contractual	2,400	2,400	
Compensation paid board members	3,600	3,330	270
Operating services:			
Recording fees	100	32	68
Advertising	300	152	148
Dues and subscriptions	200		200
Payments to contractors and engineers	515,000	58,066	456,934
Insurance	2,800	2,984	(184)
Materials and supplies	250	151	99
Travel and other charges:			
Travel	1,000		1,000
Contribution to pension funds	3,773		3,773
Contingencies	86,349		86,349
Total expenditures	<u>615,772</u>	<u>67,115</u>	<u>548,657</u>
<u>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</u>	<u>(465,772)</u>	<u>124,920</u>	<u>590,692</u>
<u>FUND BALANCE AT BEGINNING OF YEAR</u>	<u>598,946</u>	<u>598,946</u>	
Residual equity transfer		22,893	22,893
<u>FUND BALANCE AT END OF YEAR</u>	<u>\$133,174</u>	<u>\$746,759</u>	<u>\$613,585</u>

The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY
Alexandria, Louisiana
Notes to the Financial Statements (Continued)

D. BASIS OF ACCOUNTING

The financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for reporting the governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The district uses the following practices in recognizing and reporting revenues and expenditures:

Revenues

Ad valorem taxes and the related state revenue sharing are recorded in the year the taxes are due and payable. Ad valorem taxes are assessed on a calendar year basis and attach as an enforceable lien and become due and payable on the date the tax rolls are filed with the recorder of mortgages. Louisiana Revised Statute 47:1995 requires that the tax roll be filed on or before November 15 of each year. Ad valorem taxes become delinquent if not paid by December 31. The taxes are normally collected in December of the current year and January and February of the ensuing year.

Interest income on time deposits is recorded when the time deposits have matured and the income is available.

Based on the above criteria, ad valorem tax and the related state revenue sharing are treated as susceptible to accrual.

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 are not recognized until due.

**GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY
Alexandria, Louisiana**

Notes to the Financial Statements
As of December 31, 1996, and for the Years Ended
December 31, 1996 and 1995

INTRODUCTION

Gravity Drainage District No. 1 of Rapides Parish was created under the authority of Louisiana Revised Statutes 38:1751-1802 and was established 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. The district uses contract labor to maintain the drainage system.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements of the district have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. REPORTING ENTITY

As the governing authority of the parish, for reporting purposes, the Rapides Parish Police Jury is the financial reporting entity for Rapides Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Rapides Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the police jury to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.

GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH
 RAPIDES PARISH POLICE JURY
 Alexandria, Louisiana
 GOVERNMENTAL FUND TYPE

Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Year Ended December 31, 1995

	GENERAL FUND	DEBT SERVICE FUND	TOTAL (MEMORANDUM ONLY)
<u>REVENUES</u>			
Ad valorem taxes	\$155,282	\$93,241	\$248,523
Intergovernmental revenues - state revenue sharing	9,405		9,405
Interest earnings	32,043	12,694	44,737
Total revenues	<u>196,730</u>	<u>105,935</u>	<u>302,665</u>
<u>EXPENDITURES</u>			
Current:			
Public works - drainage:			
Personal services:			
Contractual	2,400		2,400
Compensation paid board members	3,360		3,360
Operating services:			
Advertising	346		346
Recording fees			
Repairs and maintenance	102,166		102,166
Insurance	2,984		2,984
Materials and supplies	225		225
Contribution to pension funds	4,477	2,686	7,163
Debt service:			
Principal		80,000	80,000
Interest and fees		20,096	20,096
Total expenditures	<u>115,958</u>	<u>102,782</u>	<u>218,740</u>
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>	80,772	3,153	83,925
<u>FUND BALANCE AT BEGINNING OF YEAR</u>	<u>656,438</u>	<u>348,709</u>	<u>1,005,147</u>
<u>FUND BALANCE AT END OF YEAR</u>	<u>\$737,210</u>	<u>\$351,862</u>	<u>\$1,089,072</u>

The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH
 RAPIDES PARISH POLICE JURY
 Alexandria, Louisiana
 GOVERNMENTAL FUND TYPE

Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Year Ended December 31, 1996

	GENERAL FUND	DEBT SERVICE FUND	TOTAL (MEMORANDUM ONLY)
REVENUES			
Ad valorem taxes	\$164,336	\$551	\$164,887
Intergovernmental revenues - state revenue sharing	9,202		9,202
Interest earnings	36,714	8,160	44,874
Miscellaneous	3,399		3,399
Total revenues	<u>213,651</u>	<u>8,711</u>	<u>222,362</u>
EXPENDITURES			
Current:			
Public works - drainage:			
Personal services:			
Contractual	2,400		2,400
Compensation paid board members	3,330		3,330
Operating services:			
Advertising	152		152
Recording fees	32		32
Repairs and maintenance	58,067		58,067
Insurance	2,984		2,984
Materials and supplies	151		151
Contribution to pension funds	4,893		4,893
Debt service:			
Principal		\$320,000	320,000
Interest and fees		17,680	17,680
Total expenditures	<u>72,009</u>	<u>337,680</u>	<u>409,689</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	141,642	(328,969)	(187,327)
FUND BALANCE AT BEGINNING OF YEAR	737,210	351,862	1,089,072
Residual equity transfer	22,893	(22,893)	
FUND BALANCE AT END OF YEAR	<u>\$901,745</u>	<u>NONE</u>	<u>\$901,745</u>

The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH
 RAPIDES PARISH POLICE JURY
 Alexandria, Louisiana
 ALL FUND TYPES AND ACCOUNT GROUPS

Balance Sheet, December 31, 1996

	GOVERNMENTAL FUND TYPE - GENERAL FUND
<u>ASSETS</u>	
Cash and cash equivalents	\$746,759
Receivables:	
Ad valorem taxes	153,691
State revenue sharing	<u>6,188</u>
TOTAL ASSETS	<u>\$906,638</u>
<u>LIABILITIES AND FUND EQUITY</u>	
Liabilities:	
Accounts payable	<u>\$4,893</u>
Total liabilities	<u>4,893</u>
Fund Equity - fund balances -	
Unreserved - undesignated	<u>901,745</u>
Total Fund Equity	<u>901,745</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$906,638</u>

The accompanying notes are an integral part of this statement.

BOARD OF COMMISSIONERS
GRAVITY DRAINAGE DISTRICT NO. 1
OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY
Alexandria, Louisiana
Audit Report, December 31, 1996

My audit was made for the purpose of forming an opinion on the financial statements. The accompanying supplemental schedule listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements of the district. Such information has been subjected to the procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Herbie W. Way

Herbie W. Way
Alexandria, Louisiana
June 4, 1997

GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH
 RAPIDES PARISH POLICE JURY
 Alexandria, Louisiana

Financial Statements
 With Independent Auditor's Reports
 As of December 31, 1996, and for the Years
 Ended December 31, 1996 and 1995
 With Supplemental Information Schedule

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GRAVITY DRAINAGE DISTINCT NO. 1 OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY
Alexandria, Louisiana
Notes to the Financial Statements (Continued)

2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on criteria 1 through 3, the district was determined to be a component unit of the Rapides Parish Police Jury, the financial reporting entity. 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 service provided by that governmental unit, or other governmental units that comprise the financial reporting entity.

C. FUND ACCOUNTING

The district uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds of the district are classified as governmental. Governmental funds account for the district's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. Governmental funds of the district include the following:

General Fund

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

Debt Service Fund

The Debt Service Fund accounts for transactions relating to resources retained and used for the payment of interest and principal on the long-term debt recorded in the general long-term debt account group.

GRAVITY DRAINAGE DISTINCT NO. 1 OF RAPIDES PARISH
 RAPIDES PARISH POLICE JURY
 Alexandria, Louisiana
 Notes to the Financial Statements (Continued)

E. BUDGET PRACTICES

The proposed budget of the General Fund, prepared on the cash basis, was adopted by the board of commissioners in a public meeting in December of each year. All appropriations lapse at year end. Although a system of encumbrance accounting is not used by the district, formal budget integration (within the accounting records) is employed as a management control device.

The following is a reconciliation of Statement C and E (budget basis) to Statement B and D (GAAP basis):

	<u>December 31,</u>	
	<u>1996</u>	<u>1995</u>
Excess (Deficiency) of revenues over expenditures - Statement C and E (Cash Basis)	\$124,920	\$52,414
Adjustments:		
Revenue accruals	21,616	13,677
Expenditures accruals:	<u>(4,894)</u>	<u>14,681</u>
Excess (Deficiency) of revenues over expenditures - Statement B and D (GAAP Basis)	<u>\$141,642</u>	<u>\$80,772</u>

F. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposit accounts. Cash equivalents include amounts in time deposits. Under state law, the district may deposit funds in demand deposits, interest bearing demand deposits, money market accounts or time deposits with fiscal agent banks organized under the laws of the State of Louisiana and national banks having their principal offices in Louisiana.

G. LONG-TERM DEBT

Long-term debt expected to be financed from governmental funds is reported in the general long-term debt account group. Expenditures for principal and interest payments for long-term debt are recognized in the governmental funds when due.

H. FUND EQUITY

Reserves represent portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

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INDEPENDENT AUDITOR'S REPORT

BOARD OF COMMISSIONERS
GRAVITY DRAINAGE DISTRICT NO. 1
OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY
Alexandria, Louisiana

I have audited the accompanying financial statements of Gravity Drainage District No. 1 of Rapides Parish, a component unit of the Rapides Parish Police Jury, as of December 31, 1996, and for the years ended December 31, 1996 and 1995, as listed in the foregoing table of contents. These financial statements are the responsibility of management of the district. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and generally accepted governmental auditing standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gravity Drainage District No. 1 of Rapides Parish as of December 31, 1996, and the results of operations for the years ended December 31, 1996 and 1995, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued a report dated June 4, 1997, on my consideration of the district's internal control structure and a report dated June 4, 1997, on its compliance with laws and regulations.

GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH
 RAPIDES PARISH POLICE JURY
 Alexandria, Louisiana
 GOVERNMENTAL FUND - GENERAL FUND

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Budget (Non-GAAP Basis) and Actual
 For the Year Ended December 31, 1995

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>			
Ad valorem taxes	\$119,000	\$139,858	\$20,858
Intergovernmental revenues - state funds - state revenue sharing	10,000	9,739	(261)
Interest earnings	20,000	33,457	13,457
Total revenues	<u>149,000</u>	<u>183,053</u>	<u>34,053</u>
<u>EXPENDITURES</u>			
Current:			
Public works - drainage:			
Personal services:			
Contractual	2,400	2,400	
Compensation paid board members	3,600	3,360	240
Operating services:			
Recording fees	100		100
Advertising	300	346	(46)
Dues and subscriptions	200		200
Payments to contractors and engineers	515,000	117,322	397,678
Insurance	2,800	2,984	(184)
Materials and supplies	250	225	25
Travel and other charges:			
Travel	1,000		1,000
Contribution to pension funds	3,773	4,003	(230)
Contingencies	100,577		100,577
Total expenditures	<u>630,000</u>	<u>130,640</u>	<u>499,360</u>
<u>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</u>	<u>(481,000)</u>	<u>52,414</u>	<u>533,414</u>
<u>FUND BALANCE AT BEGINNING OF YEAR</u>	<u>546,532</u>	<u>546,532</u>	
<u>FUND BALANCE AT END OF YEAR</u>	<u>\$65,532</u>	<u>\$598,946</u>	<u>\$533,414</u>

The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH
 RAPIDES PARISH POLICE JURY
 Alexandria, Louisiana
 Notes to the Financial Statements (Continued)

I. TOTAL COLUMNS ON FINANCIAL STATEMENTS

The total columns on the financial statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis (overview). Data in these columns do not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

2. LEVIED TAXES

The following is a summary of authorized and levied ad valorem taxes for the two years ended December 31, 1996:

	Authorized Millage	Levied Millage		Expiration Date
		1996	1995	
Maintenance	1.00	1.00	.97	2001
Debt service	Variable	NONE	.75	1998

3. CASH AND EQUIVALENTS

At December 31, 1996, the district has cash and cash equivalents (book balances) as follows:

Interest bearing demand deposits	\$35,765
Time deposits	710,994
Total	<u>\$746,759</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, 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 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. Cash and cash equivalents (bank balances) totaling \$ 752,191 at December 31, 1996, are secured by approximately \$250,000 of federal deposit insurance (GASB Category 1) and \$502,191 of pledged securities held by a custodial bank in the name of the fiscal agent bank (GASB Category 3).

**GRAVITY DRAINAGE DISTRICT NO. 1
OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY
Compliance Report (Continued)**

In the prior audit report for the two years ended December 31, 1994, I reported a finding relating to the debt service requirements of the outstanding general long-term debt. This finding, with the liquidation of all outstanding general long-term debt by the District, has been resolved by management.

This report is intended for the information of the Gravity Drainage District No. 1 of Rapides Parish. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Herbie W. Way

Herbie W. Way
Alexandria, Louisiana
June 4, 1997

HERBIE W. WAY
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**Independent Auditor's Report on Compliance With Laws and Regulations
Based Solely on an Audit of the Financial Statements**

**GRAVITY DRAINAGE DISTRICT NO. 1
OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY
Alexandria, Louisiana**

I have audited the financial statements of the Gravity Drainage District No. 1 of Rapides Parish as of December 31, 1996, and for the years ended December 31, 1996 and 1995, and have issued my report thereon dated June 4, 1997.

I conducted my audit in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws and regulations applicable to the Gravity Drainage District No. 1 of Rapides Parish is the responsibility of the Gravity Drainage District No. 1 of Rapides Parish's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of the Gravity Drainage District No. 1 of Rapides Parish's compliance with certain provisions of laws and regulations. However, my objective was not to provide an opinion on overall compliance with such provisions.

The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Gravity Drainage District No. 1
of Rapides Parish
Rapides Parish Police Jury
Alexandria, Louisiana
Internal Control Report (Continued)**

In planning and performing my audit of the financial statements of the Gravity Drainage District No. 1 of Rapides Parish, for the years ended December 31, 1996 and 1995, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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. I noted no matters involving the internal control structure and its operation that I consider to be material weaknesses as defined above.

This report is intended for the information of the Gravity Drainage District No. 1 of Rapides Parish. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Herbie W. Way

Herbie W. Way
Alexandria, Louisiana
June 4, 1997

GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY
 Alexandria, Louisiana
 Notes to the Financial Statements (Continued)

Because the pledged securities are held by a custodial bank in the name of the fiscal agent bank rather than in the name of the district they are considered uncollateralized under the provisions of GASB Codification 150.163(b); however, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent bank has failed to pay deposited funds upon demand.

4. CHANGES IN GENERAL LONG-TERM DEBT

The following is a summary of the long-term debt transactions during the two years ended December 31, 1996:

Long-term debt payable at January 1, 1995	\$400,000
Deductions	<u>(80,000)</u>
Long-term debt payable at December 31, 1995	320,000
Deductions	<u>(320,000)</u>
Long-term debt payable at December 31, 1996	<u><u>NONE</u></u>

The District, in accordance with the provisions of the bond indentures, using currently available financial resources, paid off all the outstanding bonds of the District prior to their maturity date. Accordingly, the District has no outstanding general long-term debt at December 31, 1996.

In accordance with Louisiana Revised Statute 39:562, the district is legally restricted from incurring long-term bonded debt in excess of 10 per cent of the assessed value of taxable property in the district. At December 31, 1996, the statutory limit is \$16,332,929.

5. RISK MANAGEMENT

The District is exposed to various risks related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

The District has obtained commercial insurance for the aforementioned risks and settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Independent Auditor's Reports Required by Government Auditing Standards

The following independent auditor's reports on internal control and compliance are presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY
 Alexandria, Louisiana

Schedule of Compensation Paid Board Members
 For the Years Ended December 31, 1996 and 1995

	December 31, 1996		December 31, 1995	
	Number	Amount	Number	Amount
John Bradas	23	\$690	24	\$720
Marion Chaney	22	660	18	540
Maxie Figgins	20	600	24	720
Bob Kelly	22	660	23	690
Wilburn Smith	24	720	23	690
Total		\$3,330		\$3,360

GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY
Alexandria, Louisiana
SUPPLEMENTAL INFORMATION SCHEDULE
For the Years Ended December 31, 1996 and 1995

COMPENSATION PAID BOARD MEMBERS

The schedule of compensation paid to board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. In accordance with Louisiana Revised Statute 38:1794, each board member receives per diem of up to \$60 for each day in the conduct of official business of the district, not to exceed 36 days each year. The board has elected to compensate board members \$30 for each day of attendance at board meetings, not to exceed 24 days each year.

HERBIE W. WAY
CERTIFIED PUBLIC ACCOUNTANT

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**Independent Auditor's Report on Internal Control Structure
Based Solely on an Audit of the Financial Statements**

**GRAVITY DRAINAGE DISTRICT NO. 1
OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY
Alexandria, Louisiana**

I have audited the financial statements of the Gravity Drainage District No. 1 of Rapides Parish as of December 31, 1996, and for the years ended December 31, 1996 and 1995, and have issued my report thereon dated June 4, 1997.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing my audit of the financial statements of the Gravity Drainage District No. 1 of Rapides Parish, I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

The management of Gravity Drainage District No. 1 of Rapides Parish is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.