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NATCHITOCHEs LEVEE AND DRAINAGE DISTRICT
ANNUAL FINANCIAL REPORT
JUNE 30, 1997

Under provisions of state law, this report is a public document. A copy of this report has been submitted to the auditor, 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

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Natchitoches Levee and Drainage District

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Natchitoches Levee and Drainage District

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Johnson, Thomas & Cunningham

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
of the Natchitoches Levee
and Drainage District

We have audited the accompanying general purpose financial statements of the Natchitoches Levee and Drainage District, Natchitoches, Louisiana, a component unit of the State of Louisiana, as of June 30, 1997, and for the year then ended. These general purpose financial statements are the responsibility of the management of the Levee District. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, the standards for financial and compliance audits contained in Government Auditing Standards, issued by the U. S. General Accounting Office and the Louisiana Governmental Audit Guide. 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Natchitoches Levee and Drainage District, Natchitoches, Louisiana, as of June 30, 1997, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as "Supplementary Information" and "Schedules" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Natchitoches Levee and Drainage District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and in our opinion, is fairly stated in all material respects in relation to such financial statements taken as a whole.

The financial information for the preceding year, which is included for comparative purposes, was taken from the financial report for that year in which we expressed an unqualified opinion on the general purpose financial statements of the Natchitoches Levee and Drainage District.

Johnson, Thomas & Cunningham, CPA's
Johnson, Thomas & Cunningham, CPA's

September 25, 1997
Natchitoches, Louisiana

GENERAL PURPOSE FINANCIAL STATEMENTS
(COMBINED STATEMENTS - OVERVIEW)

Natchitoches Levee and Drainage District

Combined Balance Sheet-Fund Type and Account Group
June 30, 1997

	Governmental Fund Type General Fund	Account Group General Fixed Assets	Totals (Memorandum Only) June 30, 1997	June 30, 1996
<u>Assets</u>				
Cash	\$174,361	\$ 0	\$174,361	\$154,900
Time Deposits	200,000	0	200,000	200,000
Interest Receivable	904	0	904	970
Other Assets	765	0	765	765
Equipment	0	490,174	490,174	347,144
Amount to be Provided for Debt Retirement	<u>118,023</u>	<u>0</u>	<u>118,023</u>	<u>0</u>
Total Assets	<u>\$494,053</u>	<u>\$490,174</u>	<u>\$984,227</u>	<u>\$703,779</u>
<u>Liabilities and Fund Equity</u>				
Liabilities-				
Accounts Payable	\$ 9,095	\$ 0	\$ 9,095	\$ 7,415
Lease Payable	<u>118,023</u>	<u>0</u>	<u>118,023</u>	<u>0</u>
Total Liabilities	<u>\$127,118</u>	<u>\$ 0</u>	<u>\$127,118</u>	<u>\$ 7,415</u>
Fund Equity-				
Investment in General Fixed Assets	\$ 0	\$490,174	\$490,174	\$347,144
Fund Balance-				
Reserved for Debt Service	118,023	0	118,023	0
Unreserved-Undesignated	<u>248,912</u>	<u>0</u>	<u>248,912</u>	<u>349,220</u>
Total Fund Equity	<u>\$366,935</u>	<u>\$490,174</u>	<u>\$857,109</u>	<u>\$696,364</u>
Total Liabilities and Fund Equity	<u>\$494,053</u>	<u>\$490,174</u>	<u>\$984,227</u>	<u>\$703,779</u>

See notes to financial statements.

Natchitoches Levee and Drainage District

Governmental Fund Type-General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance-
Budget (GAAP Basis) and Actual
Year Ended June 30, 1997
With Comparative Amounts from Year Ended June 30, 1996

	1997		Variance- Favorable (Unfavorable)	1996 Actual
	Budget	Actual		
REVENUES:				
Taxes	\$233,500	\$ 264,993	\$ 31,493	\$233,490
Miscellaneous	<u>12,000</u>	<u>13,576</u>	<u>1,576</u>	<u>13,059</u>
Total Revenues	<u>\$245,500</u>	<u>\$ 278,569</u>	<u>\$ 33,069</u>	<u>\$246,549</u>
EXPENDITURES:				
Current-				
General Government	\$ 32,350	\$ 32,768	\$ (418)	\$ 32,318
Public Works	213,150	345,558	(132,408)	202,034
Debt Service	<u>0</u>	<u>5,703</u>	<u>(5,703)</u>	<u>0</u>
Total Expenditures	<u>\$245,500</u>	<u>\$ 384,029</u>	<u>\$(138,529)</u>	<u>\$234,352</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$(105,460)	\$(105,460)	\$ 12,197
OTHER FINANCING SOURCES:				
Lease Proceeds	<u>0</u>	<u>123,175</u>	<u>123,175</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures	\$ 0	\$ 17,715	\$ 17,715	\$ 12,197
Fund Balance-Beginning of Year	<u>349,220</u>	<u>349,220</u>	<u>0</u>	<u>337,023</u>
Fund Balance-End of Year	<u>\$349,220</u>	<u>\$ 366,935</u>	<u>\$ 17,715</u>	<u>\$349,220</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Natchitoches Levee and Drainage District
Notes to Financial Statements
June 30, 1997

INTRODUCTION:

The Natchitoches Levee and Drainage District was formed by House Bill No. 333, of the Louisiana Legislature, when the Natchitoches-Cane River Levee and Drainage District, and the Campti-Clarence Levee and Drainage District were combined into one District. The District includes most of Natchitoches Parish. The District primarily provides flood protection for those areas contained in the District. The governing board of the District administers the operations and responsibilities of the District in accordance with Louisiana Statute. Members of the board are appointed by the Governor.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Basis of Presentation:

The accompanying general purpose financial statements of the Natchitoches Levee and Drainage 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 state, for reporting purposes, the State of Louisiana is the financial reporting entity for all state entities. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significant 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 Statement No. 14 established criteria for determining which component units should be considered part of the State of Louisiana 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. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the State of Louisiana 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 State of Louisiana.
2. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Natchitoches Levee and Drainage District
Notes to Financial Statements
June 30, 1997

Because of criteria number one above, the Natchitoches Levee and Drainage District was determined to be a component unit of the State of Louisiana, the reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the State of Louisiana, the general government services provided by that governmental unit, or the other governmental units that comprise the reporting entity.

C. Fund Accounting:

The accounts of the district are organized on the basis of a fund and an account group, each of which is considered a separate accounting entity. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Revenues are accounted for based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The fund presented in the accompanying financial statements is described as follows:

General Fund

The General Fund is the general operating fund of the District. It is used to account for all financial resources.

D. Fixed Assets:

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

The account group is not a "fund". It is concerned only with the measurement of financial position not with measurement of results of operations.

E. 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 measurement made, regardless of the measurement focus applied.

The governmental fund is accounted for using the modified accrual basis of accounting. Its revenues are recognized when they become measurable and available as net current assets. Ad valorem taxes are recognized as revenue in the year for which budgeted, that is, in the year in which such taxes are billed and collected. Interest on investments is considered to be susceptible to accrual.

Natchitoches Levee and Drainage District
Notes to Financial Statements
June 30, 1997

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Carrying Amount on Balance Sheet	<u>\$174,361</u>	<u>\$200,000</u>	<u>\$374,361</u>
Bank Balances-			
a) Insured by FDIC or collateralized with securities held by the District in the District's name	\$174,361	\$200,000	\$374,361
b) Uncollateralized	<u> 0</u>	<u> 0</u>	<u> 0</u>
Total Bank Balances	<u>\$174,361</u>	<u>\$200,000</u>	<u>\$374,361</u>

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, 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 has failed to pay deposited funds upon demand.

I. Unpaid Accumulated Vacation and Sick Pay:

The District's employees accrue annual and sick leave at varying rates as established by State regulations. Upon resignation or retirement, unused leave up to 300 hours is paid to employees at the employee's current rate of pay. Upon retirement, annual leave in excess of 300 hours and unused sick leave is credited as earned service in computing retirement benefits. The District does not record unpaid accumulated vacation or sick pay.

J. Comparative Data:

Comparative total data for the prior year had been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

K. Total Columns on Combined Statements-Overview:

Total columns on the combined statements - overview are captioned "Memorandum Only" to indicate that they are 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. Interfund eliminations have not been made in the aggregation of this data.

Natchitoches Levee and Drainage District
Notes to Financial Statements
June 30, 1997

I. Fund Equity:

Reserves of fund balances represent those portions of fund equity not appropriable for expenditures. The District has reserved a portion of its fund balance for future lease payments.

2. AD VALOREM TAXES:

The District is empowered to levy property tax millages to finance its general operations. The District levies taxes on real and business personal property located within the boundaries of Natchitoches Parish, Louisiana. Property taxes are levied by the District based on property values assessed by the Natchitoches Parish Tax Assessor, and approved by the State of Louisiana Tax Commission.

The Natchitoches Parish Sheriff's Office bills and collects property taxes for the District. Collections are remitted to the District monthly.

Property Tax Calendar

Assessment Date	January 1
Levy Date	June 30
Tax Bills Mailed	October 15
Total Taxes are Due	December 31
Penalties and Interest Added	January 31
Lien Date	January 31
Tax Sale	May 15

The property taxes collected this fiscal year were levied on property with an assessed value of \$74,651,290. Louisiana law exempts the first \$7,500 of assessed value of a taxpayer's primary residence from parish property taxes. This homestead exemption was \$21,949,710 for 1997.

For the year ended June 30, 1997, the District levied taxes at the following rates:

- A. A levy of 4.22 mills on all assessments within the jurisdiction boundary of the District;
- B. A levy of five cents per acre on all acreage within the area;
- C. A levy of \$100 per mile on all railroad tracks within the District;
- D. A levy of \$50 per mile on all pipelines located with the District.

Total property tax revenues for the District for the year ended June 30, 1997, were \$264,993, and for the year ended June 30, 1996, revenues were \$233,490.

Natchitoches Levee and Drainage District
Notes to Financial Statements
June 30, 1997

The following are the 8 principal taxpayers in the District's jurisdiction.

South Central Bell
Valley Electric
Trans La Gas
Union Pacific Railroad
City Bank & Trust Company
Wal-Mart
Con-Agra Poultry
Exchange Bank & Trust Company

3. CHANGES IN GENERAL FIXED ASSETS:

A summary of changes in general fixed assets follows:

	Beginning Balance <u>7-1-96</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>6-30-97</u>
Equipment	\$347,144	\$143,030	\$0	\$490,174

4. RETIREMENT COMMITMENTS:

Substantially all employees of the Levee District are members of the Louisiana State Retirement System, a multiple-employer (cost-sharing), public employee retirement system (PERS), controlled and administered by a separate board of trustees.

All permanent employees working at least 28 hours per week who are paid wholly or in part from District funds are eligible to participate in the System. Employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of creditable service. Final average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Louisiana State Retirement System in Baton Rouge.

Natchitoches Levee and Drainage District
Notes to Financial Statements
June 30, 1997

Funding Policy. Members are required by state statute to contribute 7.5 percent of their annual covered salary and the Natchitoches Levee District is required to contribute at an actuarially determined rate. The current rate is 13 percent of annual covered payroll. The contribution requirements of plan members and the Natchitoches Levee District are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Natchitoches Levee District's contributions to the System for the years ending June 30, 1997, 1996, and 1995 were \$13,916, \$11,723, and \$10,151, respectively, equal to the required contributions for each year.

5. LEASES:

The District records items under capital leases as an asset and an obligation in the accompanying financial statements. The District has one capital lease at June 30, 1997, for the purchase of an excavator. The original purchase price and lease amount was \$123,175. The lease is paid to KDC Financial, Inc. The lease calls for 48 payments of \$2,852, with an interest rate of 5.50%. The following is a schedule of lease payments for future years:

Year ended June 30-	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
1998	\$ 5,782	\$ 28,437	\$ 34,219
1999	4,177	30,041	34,218
2000	2,483	31,736	34,219
2001	<u>712</u>	<u>27,810</u>	<u>28,522</u>
Totals	<u>\$13,154</u>	<u>\$118,024</u>	<u>\$131,178</u>

6. LITIGATION & CLAIMS:

At June 30, 1997, the District is involved in one lawsuit. The District's insurance carrier is defending the claim. The District's attorney is of the opinion that the District has no liability in the case.

FINANCIAL SCHEDULES OF THE INDIVIDUAL FUND
AND THE ACCOUNT GROUP

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

Natchitoches Levee and Drainage District
General Fund
Balance Sheets
June 30, 1997 and 1996

	June 30, <u>1997</u>	June 30, <u>1996</u>
<u>Assets</u>		
Cash	\$174,361	\$154,900
Time Deposits	200,000	200,000
Interest Receivable	904	970
Utility Deposit	65	65
Stock-Valley Farmer's Co-op	700	700
Amount to be Provided for Debt Retirement	<u>118,023</u>	<u>0</u>
Total Assets	<u>\$494,053</u>	<u>\$356,635</u>
<u>Liabilities and Fund Balance</u>		
Liabilities-		
Accounts Payable	\$ 9,095	\$ 7,415
Lease Payable	118,023	0
Fund Balance-		
Reserved for Debt Service	118,023	0
Unreserved-Undesignated	<u>248,912</u>	<u>349,220</u>
Total Liabilities and Fund Balance	<u>\$494,053</u>	<u>\$356,635</u>

See notes to financial statements.

Natchitoches Levee and Drainage District
General Fund
Schedule of Revenues-Budget (GAAP Basis) and Actual
Year Ended June 30, 1997
With Comparative Amounts from Year Ended June 30, 1996

	<u>1997</u>		Variance- Favorable (Unfavorable)	<u>1996 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
REVENUES:				
Taxes-				
Ad Valorem	\$233,500	\$264,993	\$31,493	\$233,490
Miscellaneous-				
Interest	12,000	11,396	(604)	13,059
Other Revenues	<u>0</u>	<u>2,180</u>	<u>2,180</u>	<u>0</u>
Total Revenues	<u>\$245,500</u>	<u>\$278,569</u>	<u>\$33,069</u>	<u>\$246,549</u>

See notes to financial statements.

Natchitoches Levee and Drainage District
General Fund
Schedule of Expenditures-Budget (GAAP Basis) and Actual
Year Ended June 30, 1997
With Comparative Amounts from Year Ended June 30, 1996

	1997		Variance- Favorable (Unfavorable)	1996 Actual
	<u>Budget</u>	<u>Actual</u>		
EXPENDITURES:				
Current-				
General Government-				
Salaries	\$ 0	\$ 0	\$ 0	\$ 9,976
Per Diem	5,500	5,850	(350)	4,500
Travel	350	469	(119)	463
Office and Supplies	500	384	116	2,273
Telephone and Utilities	1,600	1,153	447	1,459
Code Publication	1,200	652	548	1,063
Outside Services	20,900	22,408	(1,508)	10,116
Dues and Miscellaneous	<u>2,300</u>	<u>1,852</u>	<u>448</u>	<u>2,468</u>
Total Gen. Government	<u>\$ 32,350</u>	<u>\$ 32,768</u>	<u>\$ (418)</u>	<u>\$ 32,318</u>
Public Works-				
Salaries	\$117,050	\$107,711	\$ 9,339	\$117,047
Employee Benefits	18,000	21,388	(3,388)	19,354
Supplies	3,500	3,785	(285)	3,117
Fuel	7,800	8,417	(617)	7,622
Repairs	25,000	17,121	7,879	24,066
Outside Services	7,800	20,765	(12,965)	6,150
Insurance	33,000	21,092	11,908	15,269
Miscellaneous	1,000	377	623	346
Capital Expenditures	<u>0</u>	<u>144,902</u>	<u>(144,902)</u>	<u>9,063</u>
Total Public Works	<u>\$213,150</u>	<u>\$345,558</u>	<u>\$(132,408)</u>	<u>\$202,034</u>
Debt Service-				
Lease Principal	\$ 0	\$ 5,152	\$ (5,152)	\$ 0
Interest and Fees	<u>0</u>	<u>551</u>	<u>(551)</u>	<u>0</u>
Total Debt Service	<u>\$ 0</u>	<u>\$ 5,703</u>	<u>\$ (5,703)</u>	<u>\$ 0</u>
Total Expenditures	<u>\$245,500</u>	<u>\$384,029</u>	<u>\$(138,529)</u>	<u>\$234,352</u>

See notes to financial statements.

GENERAL FIXED ASSETS ACCOUNT GROUP

To account for general fixed assets used in the General Fund operations.

Natchitoches Levee and Drainage District
General Fixed Assets Account Group
Schedule of General Fixed Assets
June 30, 1997 and 1996

	June 30, <u>1997</u>	June 30, <u>1996</u>
General Fixed Assets-		
Land	\$ 0	\$ 0
Buildings	0	0
Equipment	<u>490,174</u>	<u>347,144</u>
Total General Fixed Assets	<u>\$490,174</u>	<u>\$347,144</u>
Investment in General Fixed Assets	<u>\$490,174</u>	<u>\$347,144</u>

Natchitoches Levee and Drainage District
General Fixed Assets Account Group
Schedule of Changes in General Fixed Assets
Year Ended June 30, 1997

	<u>Balance</u> <u>7-1-96</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6-30-97</u>
General Fixed Assets-				
Land	\$ 0	\$ 0	\$0	\$ 0
Buildings	0	0	0	0
Equipment	<u>347,144</u>	<u>143,030</u>	<u>0</u>	<u>490,174</u>
Total General Fixed Assets	<u>\$347,144</u>	<u>\$143,030</u>	<u>\$0</u>	<u>\$490,174</u>
Investment in General Fixed Assets	<u>\$347,144</u>	<u>\$143,030</u>	<u>\$0</u>	<u>\$490,174</u>

See notes to financial statements.

INTERNAL CONTROL AND COMPLIANCE

Johnson, Thomas & Cunningham

Certified Public Accountants

Exhibit E

Page 23

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INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners of
the Natchitoches Levee and
Drainage District

We have audited the general purpose financial statements of the Natchitoches Levee and Drainage District, Natchitoches, Louisiana, a component unit of the State of Louisiana, for the year ended June 30, 1997, and have issued our report thereon dated September 25, 1997.

We conducted our 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the District 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.

In planning and performing our audit of the financial statements of the Natchitoches Levee and Drainage District for the year ended June 30, 1997, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

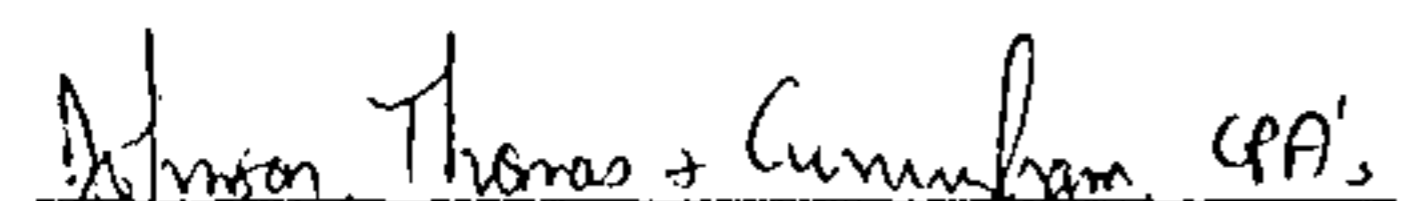
Separation of Duties

Since the District has only one accounting employee, there is no separation of duties, which constitutes a lack of internal control. However, due to budget constraints, we do not have a recommendation to make in this area.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure element 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure 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 that the lack of separation of duties constitutes a material weakness, even though we do not recommend that more personnel be added to the accounting department.

This report is intended solely for the use of management and those other governmental units from which financial assistance was received and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon delivery to the Natchitoches Levee & Drainage District, is a matter of public record.


Johnson, Thomas & Cunningham, CPA's
Johnson, Thomas & Cunningham, CPA's

September 25, 1997
Natchitoches, Louisiana

Johnson, Thomas & Cunningham

Certified Public Accountants

Exhibit F

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Eddie G. Johnson, C.P.A. A Professional Corporation (1982-1996)

Mark D. Thomas, C.P.A. A Professional Corporation

Roger M. Cunningham, C.P.A. A Professional Corporation

*321 Bienville Street
Natchitoches, Louisiana 71457
(318) 352-3638
Fax (318) 352-4447*

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

To the Board of Commissioners of
the Natchitoches Levee and
Drainage District

We have audited the general purpose financial statements of the Natchitoches Levee and Drainage District, Natchitoches, Louisiana, a component unit of the State of Louisiana, for the year ended June 30, 1997, and have issued our report thereon dated September 25, 1997.

We conducted our 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. Those standards require that we 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 Natchitoches Levee and Drainage District, is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. 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. We noted certain immaterial instances of noncompliance that we have reported on the management of the District in a separate letter dated September 25, 1997.

This report is intended for the information of management. This restriction is not intended to limit the distribution of this report, which, upon delivery to the Natchitoches Levee and Drainage District, is a matter of public record.

Johnson, Thomas & Cunningham, CPAs
Johnson, Thomas & Cunningham, CPA's

September 25, 1997
Natchitoches, Louisiana

Natchitoches Levee and Drainage District
Schedule of Per Diem Paid to Board Members
Year Ended June 30, 1997

<u>Name</u>	<u>Amount</u>
L. M. Carnahan, Jr.	\$ 825
Janet Jones	900
Adolph Sklar, Jr.	825
Tony Leone	1,125
Alfred Bruning	825
Billy Giddens	900
Karlton Methvin	225
Milton McDonald	<u>225</u>
Total	<u>\$5,850</u>

Natchitoches Levee and Drainage District
Schedule of State Funding
Year Ended June 30, 1997

<u>Funding/Source</u>	<u>Amount</u>
State Revenue Sharing (Shown as Ad Valorem Taxes on Financial Statements)	<u>\$36,548</u>

Natchitoches Levee and Drainage District
Schedule of Expenditures by Object
Year Ended June 30, 1997

<u>Object</u>	<u>Amount</u>
Personal Services	\$134,949
Travel	469
Operating Services	63,012
Supplies	12,586
Professional Services	22,408
Other Charges	0
Capital Outlay	144,902
Debt Services	<u>5,703</u>
Total Expenditures	<u>\$384,029</u>

There were no expenditures made to contractors for surveys, feasibility studies, or special studies.

Johnson, Thomas & Cunningham

Certified Public Accountants

Eddie G. Johnson, C.P.A. - A Professional Corporation (1968-1996)

Alud D. Thomas, C.P.A. - A Professional Corporation

Roger M. Cunningham, C.P.A. - A Professional Corporation

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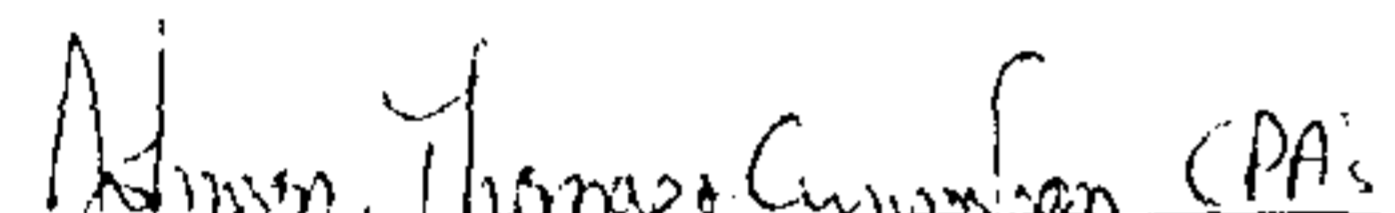
Fax (318) 352-4447

To the Board of Commissioners of
the Natchitoches Levee & Drainage District

We have audited the general purpose financial statements of the Natchitoches Levee and Drainage District, a component unit of the State of Louisiana, for the year ended June 30, 1997, and have issued our report thereon dated September 25, 1997. As part of that audit, we have the following additional recommendation to make to management related to compliance with laws and regulations:

The 1995 Regular Session of the Louisiana Legislature enacted Louisiana Revised Statute 24:522(D)(2). This statute requires all state agencies to develop specific goals and objectives to include measures of performance. The agencies should report on these goals and objectives in developing annual budgets, and should submit this information to the legislature. The Levee District should re-emphasize the importance of the budgeting process to include addressing these goals and objectives and to use the budget as a management tool.

This report is intended for the information of management.


Johnson, Thomas & Cunningham, CPA's

September 25, 1997
Natchitoches, Louisiana