

L E E G R A Y
Certified Public Accountant
401 OGDEN BOULEVARD
SUITE 1000
MONTE, LOUISIANA 70001

MEMORANDUM

MEMORANDUM FOR THE BOARD OF COMMISSIONERS
CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 1

PROJECT REPORT NUMBER 80-1
DATE ISSUED 12-28-1980

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE BASED ON AN AUDIT OF COMPONENT UNIT
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT ACCOUNTING STANDARDS**

To the Board of Commissioners
Consolidated Gravity Drainage District No. 1
of Tangipahoa Parish
Tickete, Louisiana

I have audited the component unit financial statements of the Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish, a component unit of the Tangipahoa Parish Council, as of and for the two years ended December 31, 1980, and have issued my report thereon dated May 18, 1981.

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.

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

The results of my tests disclosed the following instances of noncompliance that are required to be reported herein under Government Auditing Standards for which the ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in the Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish's 1980 and 1981 financial statements.

EXPENDITURE OF RESTRICTED FUNDS

Ending:

In 1978 a tax was passed and bonds issued by the Drainage District solely for the purpose of constructing gravity drainage works. The proceeds of the bonds were placed in a Capital Projects Fund and expenditures of the proceeds have been accounted for in that fund. In addition, in 1980, excess monies of the Debt Service Fund were transferred to the Capital Projects Fund when the bonds were paid off.

During many prior audits the District has not been able to substantiate that expenditures of the Capital Projects Fund have been incurred solely for construction as the law election required. In a letter to the District dated June 2, 1980, Clifton Speer, Assistant District Attorney for the Tenth Judicial District, advised the firm's conclusion to be creating a canal or dredging a canal in order to such a way that it meets the original specifications. If the Drainage District is not digging a new canal, in order to qualify as a contractor, the project must widen, deepen, or otherwise change the nature of the original canal (concrete lining) in order to qualify as a

Consolidated Sewer Drainage District No. 1
of Tangipahoa Parish
Notes to the Financial Statements
December 31, 1998

2. **LEVIED TAXES**

The following is a summary of authorized and levied ad valorem taxes:

	1998 Authorized and Levied Millage	1999 Authorized and Levied Millage
General Fund	0.20	0.20

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Drainage District during the year and actually billed to taxpayers and become due in November. Billed taxes become delinquent on December 31 of each year. Revenues from ad valorem taxes are budgeted in the year billed and recognized as revenue when billed. The Tangipahoa Parish Sheriff's Office bills and collects the property taxes using the assessed value determined by the Tax Assessor of Tangipahoa Parish. The taxes are generally collected in December of the current year and January and February of the ensuing year. For 1998, the Drainage District levied 0.20 mills for a total tax levy of \$940,898 on taxable property valuation totaling \$108,179,836; for 1999, the Drainage District levied 0.20 mills for a total tax levy of \$959,879 on taxable property valuation totaling \$117,871,972.

3. **CASH AND CASH EQUIVALENTS**

At December 31, 1998, the Drainage District had cash and cash equivalents (bank balances) totaling \$944,053, as follows:

Interest-bearing demand deposits	\$ 283,434
Brokerage money market accounts	125,609
United States Treasury bills	230,088
Total	\$ 944,053

These accounts are stated at cost, which approximates market. Under state law, the demand 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. At December 31, 1998, the Drainage District had \$333,684 in bank deposits (collateral bank balances). These deposits are secured from risk by \$207,088 of federal deposit insurance and \$126,596 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GAAP Category 3).

The brokerage money market account and U. S. Treasury bills are considered to be investments (cash equivalents) and as such do not require additional pledged collateral.

There is no security agreement with the bank pledging the above securities as required by the Financial Institutions Reform, Recovery and Enforcement Act of 1988 (FIRREA). Therefore, the pledge of collateral is not valid against the FDIC.

Even though the pledged securities are considered uncollateralized (category 3) under the provisions of GAAP Statement 3, Louisiana Revised Statute 50:1329 imposes a statutory requirement on the custodial bank to

Consolidated Gravity Drainage District No. 1
of Tangipahoa Parish
Notes to the Financial Statements
December 31, 1988

acquire 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.

Also, any brokerage money market account of \$4,450 does not qualify as an allowable investment under state law as the underlying investment is not limited to securities of the U. S. government or its agencies.

4. INVESTMENTS

At December 31, 1988, the Drainage District had investments totaling \$2,802,093 as follows:

	Carrying Amount	Market Value
Classified as Investments:		
United States Treasury Bill, purchased 04/190, 5.270% due 07/197, par value \$504,808	\$ 818,288	\$ 810,248
United States Treasury Bills, purchased 5/16/88, 4.75% due 2/15/92, par value \$146,308	151,428	140,358
United States Treasury Note, purchased 10/25/80, 5.75% due 10/15/92, par value \$1,508,000	1,508,180	1,498,122
United States Treasury Bill, purchased 03/21/88, 5.000% due 07/1/89, par value \$268,780	268,388	261,814
Total	\$2,805,884	\$2,802,093
Classified as Cash Equivalents:		
United States Treasury Bill purchased 10/31/88, 4.500% due 1/2/89, par value \$125,080	\$ 125,848	\$ 120,874
United States Treasury bill purchased 1/25/88, 4.875% due 7/26/89, par value \$191,308	208,128	208,220
Total	\$ 333,976	\$ 329,094

The U.S. government securities are in the name of the Drainage District and are held in subcustody at two financial institutions and two brokerage firms. Because the securities are in the name of the District and are held by the District in its own right, they are considered insured and registered, Category 3, in applying the credit risk of GAAP Codification Section 95.184.

Consolidated Gravity Drainage District No. 1
of Tangipahoa Parish
Notes to the Financial Statements
December 31, 1988

5. RECEIVABLES

The following is a summary of receivables at December 31, 1988:

Class of Receivable	General Fund
All citizens taxes	\$240,000
State revenue sharing	98,843
Total	338,843
Less allowance for uncollectible ad valorem taxes	5,871
Total	\$332,972

6. CHANGES IN GENERAL, FIXED ASSETS

A summary of changes in general fixed assets for the two years ended December 31, 1988, follows:

	Land and Buildings	Equipment	Total
Balance at January 1, 1986	\$ 70,428	\$ 892,878	\$ 963,304
Additions - 1986	3,008	271,708	274,708
Additions - 1987	42,080	197,504	199,584
Disposals - 1986	-	(48,310)	(48,310)
Disposals - 1987	-	(65,519)	(65,519)
Prior year corrections	-	6,481	6,481
Balance at December 31, 1988	\$115,516	\$1,088,262	\$1,203,778

7. PENSION PLAN

Plan Description. Substantially all fulltime employees of Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish are members of the Parishwide Employees' Retirement System of Louisiana (System), a cost sharing, multiple-employer defined benefit plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the district are members of Plan A.

All permanent employees working at least 28 hours per week who are paid wholly or in part from parish funds and all elected parish officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of 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. However, for those employees who were members of the supplemental plan only prior to January 1, 1980, the benefit is equal to one percent of final average salary plus \$24 for each year of supplemental-plan-only service earned prior to January 1, 1980. Final-average salary is the employees average salary over the 30 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

**Consolidated Sewer Drainage District No. 1
of Tangipahoa Parish
Notes to the Financial Statements
December 31, 1998**

and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended 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 Paralegal Employment Retirement System, Post Office Box 54010, Baton Rouge, Louisiana 70808-4010, or by calling (504) 383-1307.

Funding Policy. Under Plan A, members are required by state statute to contribute 9.5 percent of their annual covered salary and the district is required to contribute at an actuarially determined rate. The current rate is 7.25 percent of annual covered payroll. Contributions to the System include one-fourth of one percent of the taxes shown to be collectible by the tax bills of each parish, except Orleans and East Baton Rouge Parishes. Those tax efforts are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the District are established and may be amended by state statute. As provided by Louisiana Revised Statute 17:103, the employer contributions are determined by an actuarial valuator and are subject to change each year based on the results of the valuation for the prior fiscal year. The district's contributions to the System under Plan A for the years ending December 31, 1996, and 1995, were \$25,424 and \$25,487 respectively, equal to the required contributions for each year.

9. OTHER POSTEMPLOYMENT BENEFITS

The Drainage District has no other postemployment benefits.

10. COMPENSATED ABSENCES

At December 31, 1998, employees of the District have accumulated and vested \$10,446 of employee leave benefits, which was computed in accordance with GASB Codification Section 100. Of this amount, \$7,537 is recorded as an obligation of the General Fund, and \$2,911 is recorded as an obligation of the Capital Projects Fund.

11. LEASES

The Drainage District has no significant capital leases or operating leases at December 31, 1998.

12. CHANGES IN GENERAL LONG-TERM OBLIGATIONS

The following is a summary of the long-term debt transactions during the year ended December 31, 1998:

	Bonded Debt
Long-term debt payable at January 1, 1998	\$ 190,000
Retirement - 1998	190,000
Long-term debt payable at December 31, 1998	\$ 380,000

13. LITIGATION AND CLAIMS

The District is exposed to various risks of losses related to theft, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. Significant losses are covered by commercial insurance.

Consolidated Gravity Drainage District No. 1
of Tangipahoa Parish
Notes to the Financial Statements
December 31, 1994

The Drainage District currently has several legal actions and claims pending against it. The District also has filed suit against others.

The District has agreed to pay the estate of E. A. Courney \$10,000 for damages. This claim has been sent to the District's insurance carrier and is awaiting the insurance carrier's decision as to whether or not it will cover the claim. This claim has not been accrued in the financial statements.

An accrual for gain or loss contingencies has been recorded in the financial statements for any of the legal actions and claims as responsibility has not been determined and the possible loss or range of loss for each legal action cannot be reasonably estimated.

13. RESTATED FUND BALANCES

The beginning fund balance of the General Fund has been restated to reflect the retrospective recording of the following prior period adjustments to the December 31, 1994, audited fund balance:

Audited Fund Balance at December 31, 1994	\$1,700,000
Debit	
RTS receivable that was determined to have been recorded in error	(3,141)
Error in accounts payable balance at December 31, 1994	(4,140)
An intercompany payable that was not recorded at December 31, 1994	(2,207)
ABC	
AA intercompany payable to the Debt Service Fund was underpaid by \$90. The Debt Service Fund was closed during 1995, so the underpayment cannot be paid.	90
Unrecorded prepaid insurance	5,134
Fund Balance at December 31, 1994, as restated	<u>\$1,700,000</u>

**CONSOLIDATED GROWTH DRAINAGE DISTRICT NO. 1
OF TANGIPARICA PARISH
(A Component Unit of the Tangiparica Parish Council)
Tangiparica, Louisiana**

**GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended December 31, 1998**

	General Fund	Capital Projects Fund	Debt Service Fund	Total (interfund) Grants
REVENUES				
Ad valorem taxes	\$ 648,584	\$ -	\$ 18,188	\$ 666,772
Intergovernmental:				
Federal grant	8,881	8,854	-	17,735
State revenue sharing	98,952	-	-	98,952
Interest earnings	72,858	177,271	24,819	375,948
Other income	12,524	8,848	-	21,372
Total Revenues	<u>753,809</u>	<u>194,973</u>	<u>43,007</u>	<u>991,789</u>
EXPENDITURES				
Personal services	238,578	175,882	-	414,460
Contractual services	32,728	32,187	-	64,915
Materials and supplies	38,320	32,119	-	70,439
Statutory charges	21,827	-	-	21,827
Other charges	191,237	108,317	-	299,554
Capital outlay	140,958	74,848	-	215,806
Public projects	189,192	-	-	189,192
Debt service	-	-	885,682	885,682
Total Expenditures	<u>763,832</u>	<u>422,436</u>	<u>885,682</u>	<u>1,671,950</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(10,023)	(227,463)	(842,675)	(1,070,161)
OTHER FINANCIAL SOURCES (USES):				
Operating transfers in (out)	(5,500)	8,328	-	-
Residual equity transfers in (out)	-	328,152	(328,152)	-
Proceeds from sale of equipment	-	35,128	-	35,128
Legal settlement	(2,752)	(3,750)	-	(6,502)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(13,025)	134,896	(1,176,827)	(1,054,956)
FUND BALANCES:				
BEGINNING OF YEAR, as related	<u>1,783,258</u>	<u>2,389,381</u>	<u>1,183,158</u>	<u>5,355,797</u>
END OF YEAR	<u>\$1,770,233</u>	<u>\$2,614,287</u>	<u>\$ 1,006,331</u>	<u>\$4,390,851</u>

The accompanying notes are an integral part of this statement.

CONSOLIDATED GRASSY DRAINAGE DISTRICT NO. 1
 C/P LAFAYETTE PARISH
 (A Component Unit of the Thibodaux Parish Council)
 Thibodaux, Louisiana

SUPPLEMENTARY INFORMATION SCHEDULE

As of and for the Two Years Ended December 31, 1995

COMPENSATION PAID BOARD MEMBERS

This schedule of compensation paid board members is presented in compliance with House Concurrent Resolution No. 64 of the 1979 Session of the Louisiana Legislature. Effective July 1, 1990, Act 181 of the 1990 Regular Session of the Louisiana Legislature amended Act 19 to provide that board members shall be compensated as provided in R.S. 38:1744(B). At its regular meeting on July 1, 1993, the board adopted a resolution providing a per diem of not more than \$50 per meeting and to exceed thirty six meetings per year effective July 1, 1993.

	<u>Year Ended</u> <u>December 31, 1995</u>		<u>Year Ended</u> <u>December 31, 1994</u>	
	<u>Meetings</u> <u>Present</u>	<u>Amount</u> <u>Paid</u>	<u>Meetings</u> <u>Present</u>	<u>Amount</u> <u>Paid</u>
Jackie Kupper	07	\$ 1,000	-	-
H.G. "Daddy" Edgel	07	1,000	27	1,000
Kenneth Babinette	08	1,000	26	1,000
Carlo Bruno	07	1,000	26	1,000
William "Bill" Hiest	08	1,000	26	1,000
George Holton	07	1,000	24	1,000
Pat Jerald	08	1,000	26	1,000
Michael Perillo	18	1,140	95	950
Travis Edwards	28	1,000	03	750
Bobby Cooney	-	-	27	1,000
TOTAL		<u>\$13,140</u>		<u>\$12,950</u>

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**CONSOLIDATED GRAVITY DRAINAGE
DISTRICT NO. 1 OF TANGIPAHOLA PARISH**
(A Component Unit of the Tangipahola Parish Council)

Tidwell, Louisiana

COMPONENT UNIT FINANCIAL STATEMENTS

As of and for the Two Years Ended

December 31, 1996

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

80% O.E. 2001

Release Date _____

Capital Projects Fund Budget

Finding:

The Capital Projects Fund accounts for the proceeds and expenditures of general obligation bonds issued for the purpose of constructing drainage works in the District. The Drainage District budgets the Capital Projects Fund on a period basis instead of a project basis. The Capital Projects Fund should be budgeted and expenditures accounted for on a project basis to insure that bond proceeds are expended according to management's plans and in compliance with the bond resolution. This finding was also noted in prior year audit reports.

Recommendation:

I recommend the Drainage District budget and account for the expenditure of bond proceeds in the Capital Projects Fund on a project basis.

Management's Response:

All originally proposed construction projects have been completed. Some smaller construction projects are done as the need arises but are seldom identifiable at the time budgets are prepared. The Drainage District will take steps to account for expenditures on a project basis.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control 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 component's and 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.

My consideration of internal controls 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 as defined above. However, I do not believe that the reportable condition described above is a material weakness.

I also noted other matters involving the internal control structure and its operation that I have reported to the management of the Consolidated Gravity Drainage District of Tangipahoa Parish in a separate letter dated May 18, 1997.

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


Certified Public Accountant

May 18, 1997

Consolidated Gravity Drainage District No. 1
of Tazewell County
Notes to the Financial Statements
December 31, 1995

J. Fixed Assets

Fixed assets are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized (reported) in the general fixed assets account group. Public domain or infrastructures are not capitalized. Interest costs incurred during construction are not capitalized. No depreciation has been provided on general fund assets. All fixed assets are valued at historical cost or estimated cost if historical cost is not available.

K. Compensated Absences

The Drainage District has the following policy relating to vacation and sick leave:

After one year of continuous employment, each employee receives one week of vacation. After two years of employment, each employee receives two weeks of vacation. After five years of employment, each employee receives three weeks of vacation. After ten years of employment, each employee receives four weeks of vacation. Vacation leave may be accumulated up to a maximum of eighty hours. Any unused vacation earned in excess of eighty hours is converted to sick leave. Substantially all employees earn one day of sick leave a month. Sick leave may be accumulated without limitation and is forfeited at termination of employment, except if retirement unused sick leave is taken into account in the retirement calculation.

The cost of earned leave privileges, computed in accordance with GASB Codification Section 008, is recognized as a current-year expenditure in the General Fund and Capital Projects Fund when leave is actually taken. The cost of leave privileges not requiring current resources is recorded in the general long-term obligations account group.

L. Long-Term Obligations

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

All long-term obligations of the District were paid off during the year ended December 31, 1995.

M. Fund Equity

Reserves

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

N. Total Columns On Balance Sheet

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

LEE GRAY
Certified Public Accountant
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SUITE 1000
MONROE, LOUISIANA 70601

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ANNUAL MEETING OF 1998
COUNTY OF TANGIPAHOO

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PAPER

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL BASED ON AN AUDIT OF THE COMPONENT UNIT
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT ACCOUNTING STANDARDS**

To the Board of Commissioners
Consolidated Gravity Drainage District No. 1
of Tangipahoe Parish
Bossier, Louisiana

I have audited the financial statements of the Consolidated Gravity Drainage District No. 1 of Tangipahoe Parish, a component unit of the Tangipahoe Parish Council, as of and for the two years ended December 31, 1998, and have issued my report thereon dated May 16, 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.

The management of the Consolidated Gravity Drainage District No. 1 of Tangipahoe Parish is responsible for establishing and maintaining internal controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal controls are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or dispositions, 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 controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the controls 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 my audit of the component unit financial statements of the Consolidated Gravity Drainage District No. 1 of Tangipahoe Parish for the two years ended December 31, 1998, I assessed the understanding of the internal controls. With respect to the internal controls, 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 component unit financial statements and not to provide an opinion on the internal controls. Accordingly, I do not express such an opinion.

However, I noted the following matter involving the internal controls and its operation that I consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of internal controls that, in my judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the component unit financial statements.

Recommendation:

I recommend the Drainage District obtain an opinion from the Attorney General of the State of Louisiana, clarifying whether construction and maintenance contracts performed by the Drainage District's own personnel in excess of \$50,000 are exempt from the provisions of the public bid law. In the absence of such an opinion, I recommend the Drainage District maintain the accounting records for the Capital Projects Fund on a project basis. Detailed construction budgets for projects should be prepared and maintained in the project file. Those projects expected to exceed \$50,000 should be let for public bid in compliance with the public bid law.

Management's Response:

The Drainage District will consider obtaining an Attorney General's opinion to clarify whether the public bid law applies to construction projects performed by our own maintenance employees. In the absence of such an opinion, all projects expected to exceed \$50,000 will be let for public bid.

COMPLIANCE WITH FIRREA

Findings:

Under the Financial Institutions Reform Recovery and Enforcement Act of 1989 (FIRREA), a pledge of collateral for a deposit is not valid against the FDIC unless there is a written security agreement.

The Drainage District had no security agreement with Deposit Guaranty, although the bank's share of the District's funds exceeded \$100,000 at December 31, 1997.

Recommendation:

The District should obtain a written security agreement with Deposit Guaranty as soon as possible.

Management's Response:

The Drainage District will obtain a written security agreement with Deposit Guaranty as soon as possible.

I considered those instances of noncompliance in forming my opinion on whether the component unit financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect my report dated May 18, 1997, on those component unit financial statements.

I noted certain immaterial instances of noncompliance that I have reported to the management of the Consolidated Sewer Drainage District No. 1 of Tangiparua Parish in a separate letter dated May 18, 1997.

This report is intended by the information of management and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.


Certified Public Accountant

May 15, 1997

Consolidated Gravity Drainage District No 5
of Thompsons Park
Notes to the Financial Statements
December 31, 1995

The beginning fund balance of the Capital Projects Fund has been restated to reflect the retrospective recording of the following prior period adjustments to the December 31, 1994, audit fund balance:

Audited Fund Balance at December 31, 1994	\$2,590,378
Deduct:	
A bank fee which was capitalized	(50)
Unreconciled accounts payable	(3,378)
Add:	
Interest income not recorded on the 1994 financial statements	213
An intercompany receivable that was not recorded December 31, 1994	2,201
Correction in accounts payable balance at December 31, 1994	388
Unrecorded prepaid insurance	<u>8,184</u>
Fund Balance at December 31, 1994	<u>\$2,308,786</u>

The beginning fund balance of the Debt Service Fund has been restated to reflect the retrospective recording of the following prior period adjustments to the December 31, 1994, fund balance:

Audited Fund Balance at December 31, 1994	\$1,183,180
Deduct:	
An intercompany receivable from the General Fund was unpaid by \$50. Since the Debt Service Fund was closed during 1995, the intercompany amount is paid.	<u>(50)</u>
Fund Balance at December 31, 1994, as restated	<u>\$1,183,130</u>

14. OTHER MATTERS

On May 1, 1995, the remaining bonded debt of the Drainage District was paid off. Excess receipts of \$170,113, earned by all voters' taxes assessed to service the debt, were then transferred to the Capital Projects Fund. An additional \$4,240 was transferred in 1996 due to collection of prior year's taxes.

LEE GRAY
Certified Public Accountant
and Auditor
P.O. Box 544
Marty, Louisiana 70582

1988

PRINT NAME (PLEASE)
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AMOUNTS IN FIGURES OF ONE
THOUSAND DOLLARS ONLY

Independent Auditor's Report

Board of Commissioners
Consolidated Gravity Drainage District
No. 1 of Tangipahoa Parish
Tangipahoa Parish Council
Tickle, Louisiana

I have audited the accompanying component unit financial statements of the Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish, a component unit of the Tangipahoa Parish Council, as of December 31, 1987, and for the two years then ended as listed in the table of contents. These financial statements are the responsibility of the Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish. 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 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 component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish as of December 31, 1987, and the results of its operations for the two years then ended in conformity with generally accepted accounting principles.

My audit was conducted for the purpose of forming an opinion on the component unit financial statements taken as a whole. The supplementary information schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the component unit financial statements of the Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in my opinion, is fairly presented in all material respects in relation to the component unit financial statements taken as a whole.

In accordance with Government Auditing Standards, I have also issued a report dated May 16, 1987, on my consideration of the District's internal control and a report dated May 18, 1987, on its compliance with laws and regulations.


Certified Public Accountant

May 16, 1987

CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 1
OF TANGIPAHICA PARISH
(A Component Unit of the Tangipahica Parish Council)
Tulahoma, Louisiana

GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended December 31, 1998

	General Fund	Capital Projects Fund	Debt Service Fund	Total (Intercomponent) Only
REVENUES				
Ad valorem taxes	\$ 608,537	\$ -	\$ -	\$ 608,537
Intergovernmental:				
State revenue sharing	84,708	-	-	84,708
Interest earnings	88,784	170,880	-	188,864
Debt income	4,288	477	-	4,865
Total Revenues	<u>786,317</u>	<u>171,357</u>	<u>-</u>	<u>957,674</u>
EXPENDITURES				
Personal services	353,702	178,818	-	418,802
Contractual services	23,574	23,874	-	47,448
Materials and supplies	46,858	47,121	-	94,879
Debtary charges	22,848	-	-	22,848
Other charges	88,091	88,885	-	176,858
Capital outlay	68,787	68,787	-	138,534
Refurb projects	783,189	-	-	783,189
Total Expenditures	<u>1,037,949</u>	<u>408,802</u>	<u>-</u>	<u>1,446,751</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(251,632)	(237,445)	-	(489,077)
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	1,420	(1,420)	-	-
Residual equity transfers in (out)	-	4,240	(4,240)	-
Proceeds from sale of equipment	13,250	13,250	-	26,500
Legal settlement	15,083	15,083	-	30,166
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(201,879)	(205,872)	(4,240)	(412,091)
FUND BALANCES:				
BEGINNING OF YEAR	1,128,818	2,441,402	4,240	3,574,460
END OF YEAR	<u>\$ 926,939</u>	<u>\$ 2,235,530</u>	<u>\$ -</u>	<u>\$ 2,162,469</u>

The accompanying notes are an integral part of this statement.

Consolidated Gravity Drainage District
No. 1 of Tangipahoa Parish
Management Letter - Page 4

- C. The Drainage District will require that the vendor supply supporting rate price documentation with its invoices.
- D. The Drainage District received only one bid for its bid #02 for 1995. To clarify future bids, all documents will be kept in one central file for a particular item bid. The documents included would be the advertising of the origin of request for bids, the bid specifications, all bids received, and a copy of the board minutes awarding the bid.

FINDING NO. 5

CASH INVESTMENTS

LSA-R.S. 33:2655 allows the District to invest in mutual funds, but the fund must have underlying investments consisting solely of and limited to securities of the United States government or its agencies. The District had an investment of \$4,482 in a Certificates Money Market Trust account of A. G. Edwards as of December 31, 1995, which did not meet these requirements.

Recommendation

The District should withdraw any monies invested in the Certificates Money Market Trust. In addition, the District should establish a policy of confirming the underlying investments in any money market account in which it invests to insure that the investment is in compliance with state law.

Also, I suggest that the District consider investing its excess funds in the Louisiana Asset Management Fund (LAMF). LAMF is a cash management pool initiated by the Louisiana State Treasurer's Office. LAMF is designed to comply with the restrictions on investments by municipalities, parishes, and other types of political subdivisions imposed by LSA-R.S. 33:2655. Investments in LAMF are not "deposits" within the meaning of the Federal Deposit Insurance Act and such investments are not insured.

Management Response:

The Certificates Money Market Trust Fund at A. G. Edwards has been closed and the proceeds deposited in a Certificates Government Trust Fund. This fund invests only in government securities. The Drainage District will investigate the possibility of investing its excess funds in LAMF.

I would like to thank you and your staff for the helpful cooperation I received during my audit.

This report is intended for the information of management and the Louisiana Legislative Auditor. This restriction is not intended to limit the distribution of this report, which is a matter of public record.


Sue Gray
Certified Public Accountant

May 10, 1997

Management's Response:

The Drainage District will adopt all budgets by resolution and shall publish any budget amendments in the official journal. Budget adoptions and amendments will be found with the accompanying minutes in the Director's minute book.

FINDING NO. 4

STATE BID LAW

LSA-R.S. 38:2717 requires purchases of materials or supplies exceeding the sum of ten thousand dollars to be advertised and let by contract to the lowest responsible bidder. Purchases of five thousand dollars or more, but less than ten thousand dollars shall be made by obtaining no less than three telephone or facsimile quotations.

My audit disclosed the following:

- A. When purchasing an excavator in 1995, the District subtracted a five-year buyback amount from the bid price to arrive at the lowest bid price. This is in violation of the requirement that the bid price be a firm figure; the District may decide in five years *not* to utilize the buyback, or the buyback may occur, but for a lesser amount.
- B. The District spent over \$5,000 in 1995 and again in 1996 on uniforms without obtaining telephone or fax quotes.
- C. The District is appropriately advertising for bids for fuel and accepting the lowest bid, but is not comparing the actual price of fuel throughout the year by the vendor to the bid price.
- D. Bid adjustments from fuel vendors other than the vendor awarded the bid for 1995 could not be located.

Recommendation:

I recommend that the use of a buyback amount in the calculation of a bid price be discontinued, or an opinion be obtained from the Attorney General's office that this practice is not a violation of the state bid law.

The District should request three quotes when purchasing materials and supplies of five thousand dollars or more, but less than ten thousand dollars.

Adding the control feature of checking the ultimate price paid to a fuel vendor or *any* vendor to the price bid would help the District in its management of purchases.

Also, all bid documents should be kept in one central file for a particular item bid. The documents included would be the advertising of the original request for bids, the bid specifications, all bids received, and a copy of the board minutes awarding the bid.

Management's Response:

- A. For future purposes, the Drainage District does not utilize a buyback feature in the bid proposals.
- B. The Drainage District will go out for quotes for uniform service at the earliest legal opportunity to do so.

We will receive quarterly, cumulative payroll registers from our accountant with our quarterly payroll reports.

Our accountants have stated that they cannot issue a Statement of assets, liabilities, and equities - modified cash basis with the prior year and accounts receivable, accounts payable, and other accounts showing on the face of the statement because this would be misleading to users who see "cash basis" in the title but yet see accounts on the statement. Furthermore, if the statement were used by someone who is not receiving the statement on a monthly basis, they may be under the impression the receivables, payables, and accruals are being adjusted each month.

Any additional information that would be supplied by this statement can be obtained by looking at the general ledger that we receive each month.

It would not be cost effective to try to adjust the accounts each month in order to provide an annual true Balance Sheet.

FINDING NO. 2

PERSONNEL RECORDS

It was noted during my audit that the District has not required employees to complete a Form I-9, Employment Eligibility Verification as required by the U. S. Department of Justice. This form was developed to verify that persons are eligible to work in the United States.

Recommendation:

The District should have all employees hired after November 8, 1988, complete a Form I-9 as soon as possible. Any future employee must fill out an I-9 at the time of hire.

Management's Response:

The Drainage District is in the process of having our present employees complete Form I-9. In the future all new hires will complete Form I-9.

FINDING NO. 3

BUDGET PREPARATION

It was noted during my audit that budgets are not being adopted by resolution as required by Louisiana Revised Statute (LSA-R.S.) 30:1304. Also, amended budgets should be published in the official journal as required by LSA-R.S. 30:1308. The District has amended various budgets but has failed to publish the amendments in the official journal.

Also, it was noted during my audit that 1989 budgets were amended on October 28, 1989; however, I could not determine what the amended amounts were because two different amended budgets were found in the 1989 budget folder.

Recommendation:

The District should adopt all budgets by resolution and should publish any budget amendments in the official journal. I also recommend that all budget adoptions and amendments be bound with the accompanying minutes in the District's minute book.

LEE GRAY
CERTIFIED PUBLIC ACCOUNTANT
AND CONSULTANT
P. O. BOX 548
ABITA, LOUISIANA 70405

HONOR:

MEMBER, BOARD OF STATE
AUDITORS OF LOUISIANA STATE

PHONE: (504) 885-1000
FAX: (504) 885-4000

MANAGEMENT LETTER

To the Board of Commissioners
Consolidated Gravity Drainage District
No. 1 of Tangipahoa Parish
Tangipahoa Parish Council
Thibodaux, Louisiana

As part of the financial audit of the Consolidated County Drainage District No. 1 of Tangipahoa Parish (a component unit of the Tangipahoa Parish Council) for the two years ended December 31, 1990, I performed a study and evaluation of the internal control system necessary to achieve an understanding of the accounting and financial reporting system of the Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish's compliance with certain provisions of laws, regulations, contracts, and grants.

As a result of my audit, I noted several items in the District's system of recordkeeping and internal control which could be improved. I also noted instances of noncompliance with certain provisions of laws, regulations, contracts, and grants.

My findings and recommendations concerning these items are listed below:

FINDING NO. 1

ACCOUNTING RECORDS:

It was noted during my audit that the Drainage District did not have monthly supporting journals as part of its accounting records, i.e., cash disbursements, cash receipts, and general journals. These journals are an integral part of any accounting system, providing the supporting detail for entries in the general ledger.

Also, a statement of assets and liabilities - cash basis is not being prepared as part of the monthly compiled financial statements. This statement provides additional financial information which would aid the District's management. Also, payroll registers contain monthly totals only, no quarter-to-date or year-to-date totals are included. It was difficult to reconcile the payroll to the quarterly payroll tax returns without these totals.

Recommendation:

Monthly supporting journals should be obtained by the District and filed with the monthly general ledgers. A balance sheet for cash fund should be requested as part of the monthly compiled financial statements. Also, the District should request a payroll register format which would provide quarter-to-date and year-to-date amounts.

Management's Response:

On a monthly basis the Drainage District will receive monthly cash disbursements, cash receipts, and general journals from our accountant.

COMBINED GENERAL FUNDING DISTRICT NO. 1
OF TANGIPAHUA PARISH
(A Component Unit of the Tangipahua Parish Council)
Tulahoma, Louisiana

Continued Balance Sheet - All Fund Types and Account Group
December 31, 1988

	Governmental Funds		Account Group	Total (Miscellaneous) Fund
	General Fund	Capital Projects Fund	General Fixed Assets	
ASSETS				
Cash and cash equivalents	\$ 322,824	\$ 323,219	\$ -	\$ 646,043
Investments	1,808,737	1,850,960	-	3,659,697
Receivables	803,173	-	-	803,173
Prepaid insurance	15,648	15,648	-	31,296
Land, buildings, and equipment	-	-	1,212,488	1,212,488
TOTAL ASSETS	\$2,949,372	\$2,198,837	\$1,212,488	\$6,362,185
LIABILITIES, EQUITY, AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$ 12,160	\$ 8,308	\$ -	\$ 20,468
Other payables	41,362	17,737	-	59,099
Debuctions from ad valorem taxes payable	23,858	-	-	23,858
Total Liabilities	77,380	26,045	-	103,425
Equity and Other Credits:				
Investment in general fixed assets	-	-	1,212,488	1,212,488
Fund balances:				
Reserved for prepaid insurance	15,648	15,648	-	31,296
Unclassified - undesignated	1,852,325	2,163,343	-	4,015,668
Total Equity and Other Credits	1,867,973	2,188,991	1,212,488	5,269,452
TOTAL LIABILITIES, EQUITY, AND OTHER CREDITS	\$2,949,372	\$2,198,837	\$1,212,488	\$6,362,185

The accompanying notes are an integral part of this statement.

CONSOLIDATED FINANCIAL STATEMENT DISTRICT NO. 1 OF SANGHEMUN PARISH
 (A Component Unit of the Tangipahoa Parish Council)
 Tollyon, Louisiana

GOVERNMENTAL FUNDS
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Budget (Approved Basis) and Actual
 For the Year Ended December 31, 1988

	REVENUES, DUES		CAPITAL PROJECTS FUND		DEBT SERVICE FUND	
	Budget	Actual	Budget	Actual	Budget	Actual
REVENUES						
All other taxes	\$ 84,775	\$ 88,557	\$ -	\$ -	\$ -	\$ -
State financial aid	80,000	4,789	115,000	1,048	-	-
Interest earnings	60,000	8,794	500	47	-	-
Grant income	3,000	4,500	-	-	-	-
TOTAL REVENUES	248,775	297,638	115,500	1,595	1,848	1,848
EXPENDITURES						
Personal services	188,800	187,795	200,000	178,800	54,200	54,200
Contracted services	94,200	53,874	44,000	33,814	54,416	54,416
Materials and supplies	50,400	48,804	8,000	47,317	9,379	-
Services charges	17,400	22,848	13,000	13,044	-	-
Other charges	178,000	88,304	100,000	84,599	28,000	28,000
Capital outlay	47,000	88,797	47,000	89,797	(22,487)	-
Public projects	30,000	30,116	-	-	-	-
TOTAL EXPENDITURES	248,800	493,238	302,000	454,362	96,685	1,848
CHANGES IN FUND BALANCES						
Beginning	47,314	43,878	208,200	260,748	104,882	-
Revenues in excess of expenditures	-	1,400	188,000	2,811	287,789	6,248
Transfers from other funds	-	13,250	-	13,250	13,250	-
Legal settlement	-	(5,800)	-	(8,000)	(8,000)	-
ENDING FUND BALANCES	47,314	53,428	396,200	266,808	237,121	6,248
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Proceeds from sale of equipment	-	-	-	-	-	-
Legal settlement	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCIAL SOURCES OVER EXPENDITURES AND OTHER DUES	(47,314)	103,158	(103,800)	(287,554)	(104,843)	(6,248)
FUND BALANCES AT BEGINNING OF YEAR	3,205,523	3,228,813	-	-	-	-
FUND BALANCES AT END OF YEAR	3,158,209	3,331,971	3,205,200	3,205,208	3,205,209	3,205,209

The accompanying notes are an integral part of this statement.

COMPONENT UNIT FINANCIAL STATEMENTS

Consolidated Gravity Drainage District No. 1
of Tangipahoa Parish
Notes to the Financial Statements
December 31, 1995

4. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing. The public hearing on the proposed budgets for 1995 and 1996 were held on November 2, 1994, and December 8, 1995, respectively.
5. After the holding of the public hearing and completion of all action necessary to finalize and implement the budgets, the budgets are adopted. The proposed budgets for 1995 and 1996 were adopted on November 2, 1994, and December 6, 1995, respectively.
6. Budgetary amendments require the approval of the president and board of commissioners. The budget for 1995 was amended on May 3, 1995, July 26, 1995, and October 25, 1995, and the budget for 1996 was amended on May 22, 1996.
7. All budgetary appropriations lapse at year-end.
8. Periodic budget comparisons are made as a part of interim reporting. Budgeted amounts included in the accompanying financial statements include the originally adopted budget amounts and all subsequent amendments legally adopted prior to year-end.

F. Encumbrances

The Drainage District does not utilize encumbrance accounting.

G. Cash and Cash Equivalents/Investments

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the 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.

Under state law, the Drainage District may invest in United States bonds, treasury notes and bills, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at original cost.

Under state law, the Drainage District may also invest in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies. Investment of funds in such mutual or trust fund institutions shall be limited to twenty-five percent of the monies considered available for investment.

H. Inventory

The Drainage District uses the purchase method for accounting for expendable supplies whereby expenditures are recognized when the items are purchased. The Drainage District did not record any inventory at December 31, 1995.

I. Prepaid Items

The Drainage District reported prepaid insurance of December 31, 1995, which represents payment for a 1997 workers' compensation deposit premium.

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DISTRICT NO. 1 OF TAMMARAHA PARISH
(A Corporation of the Tangipahoa Parish Council)**

Ticklew, Louisiana

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**As of and for the Two Years Ended
December 31, 1998**

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construction project." Mr. Bessert went on to say that "mere clearing of the canal by removal of trees or silt does not qualify as construction".

The District remains unable to determine that expenditures paid from the Capital Projects Fund are for eligible construction projects and not maintenance projects. This is due to several factors. First, the accounting records of the Capital Projects Fund are not maintained on a project basis. As a result, actual costs are not accumulated by project. Second, although each project is assigned a number and a file, the project files do not contain documentation regarding scope of the project, factors which qualify the project as construction, and actual costs incurred. Although the District calculated a construction project cost estimation for the 1985 and 1986 projects, these estimates were substantially less than the actual expenditures of the Capital Projects Fund and therefore unreliable. Third, most expenditures of the District, including direct costs and indirect administrative costs, are paid 50% by the Capital Projects Fund and 50% by the General Fund. No written allocation plan has been established to support this allocation.

Recommendation:

Expenditures of the Capital Projects Fund should be budgeted and accounted for on a project basis. Projects funded by the Capital Projects Fund should contain documentation supporting their classification as construction rather than maintenance, i.e., a detailed description of the work to be performed, documentation from the engineer and others appraising the project as construction including photographs, surveys, etc., initial construction budgets and actual construction costs at completion. Indirect costs such as administrative salaries, insurance, equipment, and other items should be charged to each project in accordance with a written allocation plan based on direct costs.

Management's Response:

The Drainage District is unable to budget expenditures of the Capital Projects Fund. The Drainage District will collect detailed documentation on projects supporting their classification as construction as opposed to maintenance. Employee time sheets will be developed and used to directly charge to individual projects and in turn the appropriate Capital Projects Fund or General Fund. These direct employee costs will be reviewed on an annual basis and percentages calculated to be used to allocate indirect costs to the Capital Projects Fund or General Fund for the following year.

COMPLIANCE WITH STATE BID LAW

Finding:

As to its relation to the expenditures of the Capital Projects Fund in compliance with the state bid law, Louisiana Revised Statutes (LSA-R.S.) 38:3212 requires all public works exceeding \$50,000 to be let by contract to the lowest responsible bidder.

Due to the fact that actual expenditures of the Capital Projects Fund are not maintained by project, I was unable to determine if any projects exceeded the \$50,000 level. Although the District calculated a construction project cost estimation for 1985 and 1986 projects (none of which were greater than \$50,000) these estimates were substantially less than the actual expenditures of the Capital Projects Fund and were therefore unreliable.

On October 13, 1982, the Drainage District received an opinion from Fred Barber, bonding attorney, which seems to indicate an exemption to the public bid requirements may apply for construction projects exceeding \$50,000 performed by the District's employees.

This finding was also noted in prior year audit reports.

CONSOLIDATED FINANCIAL STATEMENTS DISTRICT NO. 1 OF TAMMAMACK PARISH
 As Compared With the Temporary Parish Council
 For the Year Ended December 31, 1959

GOVERNMENTAL FUNDS
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Budget (May Basis) and Actual

For the Year Ended December 31, 1959

	GENERAL FUND		CAPITAL DEVELOPMENT		TOTAL GOVERNMENTAL FUNDS	
	Actual	Encumbrances	Actual	Encumbrances	Actual	Encumbrances
REVENUES	\$ 548,874	\$ 8,825	\$ 6,871	\$ 8,825	\$ 555,745	\$ 17,650
All sources total	548,874	8,825	6,871	8,825	555,745	17,650
Federal grant	6,655	-	-	-	6,655	-
State reimbursement	16,110	452	17,562	2,271	33,672	1,680
Interest earnings	12,300	25	3,843	8,825	16,143	13,650
Other income	2,445	1,082	18,655	-	21,100	11,500
TOTAL REVENUES	586,384	15,689	46,981	12,125	633,365	27,714
EXPENDITURES	258,818	5,845	217,151	755,882	475,969	80,729
Personal services	22,218	1,552	55,508	32,787	77,726	34,345
Contractual services	28,528	28,722	65,121	52,719	93,649	81,464
Materials and supplies	140,785	12,524	178,785	628,277	329,070	18,815
Other charges	128,880	12,285	74,535	14,844	203,415	27,659
Capital outlay	188,234	5,258	-	-	188,234	-
Reserve deposits	-	-	30,725	30,725	30,725	30,725
Debt service	-	-	-	-	-	-
TOTAL EXPENDITURES	586,384	27,332	346,694	862,447	933,078	933,078
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,000	9,857	12,287	110,712	640,287	17,685
OTHER FINANCING SOURCES (USES)	6,000	-	503,159	8,825	509,159	8,825
Transfers in (out)	-	-	20,150	-	20,150	-
Proceeds from sale of equipment	-	-	-	8,825	8,825	-
Legal settlement	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	12,000	9,857	556,346	117,542	673,892	26,510
FUND BALANCES AT BEGINNING OF YEAR (as stated)	1,103,225	1,103,225	2,288,332	2,288,332	3,391,557	3,391,557
FUND BALANCES AT END OF YEAR	1,115,225	1,113,082	2,844,688	2,401,184	3,959,913	3,413,114

The accompanying notes are an integral part of this statement.

**CONSOLIDATED GRAVITY DRAINAGE
DISTRICT NO. 1 OF TANGIPAHOA PARISH**
(A Component Unit of the Tangipahoa Parish Council)

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Two Years Ended December 31, 1999

INTRODUCTION

The Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish (hereinafter referred to as the "Drainage District") was created by the Tangipahoa Parish Police Jury as authorized by Act 101 of the 1950 Second Extraordinary Session of the Louisiana Legislature, as amended by Act 384 of the 1981 Regular Session of the Louisiana Legislature. The Drainage District was created to open and maintain 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 Drainage District is governed by a board of commissioners consisting of nine members of the parish council who represent any portion of Wards B, T, or R of Tangipahoa Parish, which comprise the boundaries of the Drainage District. Prior to July 1, 1982, commissioners received no compensation for serving on the Drainage District board, as all members of the Drainage board also serve on the Tangipahoa Parish Council. Effective July 1, 1990, Act 181 of the 1990 Regular Session of the Legislature amended Act 10 to provide that the members of the board of the Consolidated Gravity Drainage District No. 1 shall be compensated as provided in R.S. 38:1704(B). Board members presently receive \$60 per meeting, not to exceed thirty-six meetings per year. At the present time, the Drainage District employs approximately thirty employees, including an administrator, office staff, and construction and maintenance employees. The Drainage District maintains an office and maintenance facility in Touffres, Louisiana. The Drainage District is primarily responsible for maintaining approximately three hundred fifty miles of drainage canals within the district.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements of the Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish 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. Basis of Entity

As the governing authority of the Parish, for reporting purposes, the Tangipahoa Parish Council is the financial reporting entity for Tangipahoa Parish. The financial reporting entity consists of (a) primary government (Parish Council); (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. 34 established criteria for determining which component units should be considered part of the Tangipahoa Parish Council for financial reporting purposes. The basic criteria for including a potential component unit with 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 Parish Council to impose its will on that organization and/or

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1. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Parish Council.
2. Organizations for which the Parish Council does not appoint a voting majority but are fiscally dependent on the Parish Council.
3. Organizations for which the reporting entity financial statements would be misleading if each of the organization is not included because of the nature or significance of the relationship.

Because the Drainage board members also serve on the Parish Council, the Drainage District was determined to be a component unit of the Tangipahoa Parish Council, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Drainage District and do not present information on the Parish Council, the general government entities provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

C. Fund Accounting

The Drainage 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 Drainage District are classified as governmental funds. Governmental funds account for the Drainage 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 Drainage District include:

1. General Fund

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

2. Capital Projects Fund

The Capital Projects Fund accounts for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

3. Debt Service Fund

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

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D. Basis of Accounting

The accounting and 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 are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by the governmental funds. The governmental funds use the following practices in recording revenues and expenditures:

Ad valorem

Ad valorem taxes and the related 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 on 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, certificates of deposit invested with financial institutions, and United States treasury bills and treasury notes. Interest earned on checking accounts is recorded when received. Interest earned on certificates of deposit and treasury instruments is recorded when the certificates or treasury instruments 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 are not recognized until due and interest which is recognized as an expenditure in the period in which the related coverage period.

Other Financing Sources (Uses)

Proceeds from the sale of equipment are accounted for as an other financing source and recorded when the sale occurs. Transfers between funds are accounted for as other financing sources (uses) and recorded when the transfer occurs. Legal settlements are accounted for as an other financing use and recorded when the settlement is made.

E. Budgets

The Drainage District uses the following budget practices:

1. The Drainage District prepares budgets on the modified accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The Drainage District adopted budgets for the General Fund, Debt Service Fund, and Capital Projects Fund for 1985 and the General Fund and Capital Projects Fund for 1986.
2. The Drainage District's administrator prepares the proposed budget and submits it to the board of commissioners no later than fifteen days prior to the beginning of each fiscal year. The proposed budgets for 1985 and 1986 were presented to the board of commissioners on October 11, 1984, and November 5, 1985, respectively.
3. The public is notified if the proposed budget is available for public inspection. At the same time, a public hearing is called. The proposed budget for 1985 and 1986 was published in the official journal on October 11, 1984, and November 10, 1985, respectively.