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LIVINGSTON PARISH  
GRAVITY DRAINAGE DISTRICT NO. 5  
WALKER, LOUISIANA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 1996

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

Release Date Feb 2 1997

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT NO. 5  
Walker, Louisiana

Annual Financial Statements with Independent Auditor's Report  
For the Year Ended December 31, 1996

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**LEROY J. CHRISTZ**

CERTIFIED PUBLIC ACCOUNTANT, APAC

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**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Gravity Drainage District No. 5  
of Livingston Parish  
Walker, Louisiana

I have audited the accompanying component unit financial statements of the Gravity Drainage District No. 5 of Livingston Parish, Louisiana, a component unit of the Livingston Parish Council, as of and for the year ended December 31, 1996, as listed in the table of contents. These financial statements are the responsibility of Livingston Parish Gravity Drainage District's No. 5 management. 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 and the Louisiana Governmental Audit Guide, issued by the Louisiana Legislative Auditor. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the component unit financial statements referred to in the first paragraph present fairly the financial position of the Gravity Drainage District No. 5 of Livingston Parish, Louisiana, as of December 31, 1996, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated June 25, 1997, on my consideration of Gravity Drainage District No. 5 of Livingston Parish's internal control structure and a report dated June 25, 1997, on its compliance with laws and regulations.

My audit was made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The supplemental information and schedule listed in the table of contents are presented for purposes of additional analysis and are not a required part of the component unit financial statements of the Gravity Drainage District No. 5 of Livingston Parish, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements, and, in my opinion, the information is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.

  
Leroy J. Christz  
Certified Public Accountant, APAC  
June 25, 1997

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT NO. 2  
Waller, Louisiana

BALANCE SHEET  
December 31, 1996

	GENERAL FUND	GENERAL FUND ACCOUNT GROUP	GENERAL LONG TERM DEBT ACCOUNT GROUP	TOTAL (BOTH SIDES)
<b>ASSETS</b>				
Cash and Cash Equivalents - Note 3	\$ 250,000	-	-	\$ 250,000
Investment in certificate of Deposit - Note 3	53,266	-	-	53,266
Receivables - Note 4	50,326	-	-	50,326
Insurance Deposit Premium	3,116	-	-	3,116
Building - Note 3	-	\$ 34,474	-	34,474
Machinery and Equipment - Note 2	-	352,282	-	352,282
Furniture - Note 2	-	241	-	241
Amounts to be provided for Retirement of general Long Term Debt	-	-	\$ 157,554	157,554
<b>Total Assets</b>	<b>\$ 456,712</b>	<b>\$ 739,997</b>	<b>\$ 157,554</b>	<b>\$ 1,354,263</b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 831	-	-	\$ 831
Payroll Taxes Payable	-	-	-	-
Accrued Wages Payable	-	-	-	-
Obligations under Capital Lease - Note 1	-	-	\$ 157,554	157,554
<b>Total Liabilities</b>	<b>\$ 831</b>	<b>-</b>	<b>\$ 157,554</b>	<b>\$ 158,385</b>
<b>Fund Equity:</b>				
Investment in General Fund Assets - Note 3	-	\$ 246,000	-	\$ 246,000
Fund Balance - Unreserved Undesignated	\$ 216,950	-	-	\$ 216,950
<b>Total Fund Equity</b>	<b>\$ 216,950</b>	<b>\$ 246,000</b>	<b>-</b>	<b>\$ 462,950</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 217,781</b>	<b>\$ 739,997</b>	<b>\$ 157,554</b>	<b>\$ 1,115,332</b>

See accompanying notes to the financial statements.

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT NO. 3  
Waller, Louisiana

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGED (GAAP BASIS) AND ACTUAL -  
ALL GOVERNMENTAL FUND TYPES - GENERAL FUND  
For the Year Ended December 31, 1996

	BUDGET	ACTUAL	VARIANCE FAVORABLE UNFAVORABLE
<b>Revenues:</b>			
Taxes, Net of Refunds	\$ 366,000	\$ 319,713	\$ 46,287
Income	5,000	9,843	4,843
Miscellaneous	-----	1,000	1,000
<b>Total Revenues</b>	<b>\$ 371,000</b>	<b>\$ 330,556</b>	<b>\$ 40,444</b>
<b>Expenditures:</b>			
Current:			
General Government:			
Salaries and Wages	\$ 113,800	\$ 113,118	\$ 682
Board Member Per Diem	-	2,690	(2,690)
Payroll Tax Expense	9,000	9,207	(207)
Collection Costs	3,800	6,394	(2,594)
Fuel Expense	3,200	3,412	(212)
Insurance	23,900	24,498	(598)
Maintenance Supplies and Repairs	18,000	21,348	(3,348)
Miscellaneous	50	347	(297)
Office Expense	480	830	(350)
Professional Fees	9,700	6,370	3,330
Rent - Equipment	1,800	2,640	(840)
Utilities	1,700	1,703	(3)
Capital Outlay	125,732	125,980	(248)
Debt Service:			
Principal Retirement	20,800	21,101	(301)
Interest	3,300	8,073	(4,773)
<b>Total Expenditures</b>	<b>\$ 351,662</b>	<b>\$ 370,213</b>	<b>\$ 18,551</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>\$ 19,338</b>	<b>\$ (39,657)</b>	<b>\$ 59,004</b>
<b>Other Financial Sources:</b>			
Proceeds from Issuance of Debt	\$ 124,732	\$ 124,732	\$ -----
<b>Total Other Financing Sources</b>	<b>\$ 124,732</b>	<b>\$ 124,732</b>	<b>\$ -----</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>\$ 38,070</b>	<b>\$ 85,074</b>	<b>\$ 47,004</b>
<b>Fund Balance - Beginning of Year</b>	<b>236,000</b>	<b>236,000</b>	<b>-----</b>
<b>Fund Balance - End of Year</b>	<b>\$ 274,070</b>	<b>\$ 321,074</b>	<b>\$ 47,004</b>

See accompanying notes to the financial statements.

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT NO. 5

Walker, Louisiana

Notes to the Financial Statements

For the Year Ended December 31, 1996

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Gravity Drainage District No. 5 of Livingston Parish is a body corporate created by the Livingston Parish Council, as provided by Louisiana Revised Statute 38:1751. The Drainage District is governed by a board of five commissioners who are appointed by the Livingston Parish Council. The Drainage District is authorized to construct, maintain and improve the system of Gravity Drainage within Ward Seven of Livingston Parish.

The financial statements of the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB), is the standard-setting body for governmental accounting and financial reporting. On June 30, 1995, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below, and where appropriate, subsequent pronouncements will be referenced.

A. Financial Reporting Entity

This report includes all funds and account groups which are controlled by or dependent on the Gravity Drainage District's Board of Commissioners. Control by or dependence on the Board was determined on the basis of taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibilities.

In conformance with the GASB statement No. 14, the Drainage District is a component unit of the Livingston Parish Council, the governing body of the parish. The accompanying financial statements present information only on the funds and account groups maintained by the Drainage District and do not present information on the Council and the general government services provided by this governmental unit.

B. Fund Accounting

The accounts of the Gravity Drainage District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, as appropriate.

Government resources are allocated to and accounted for in individual funds

based upon the purpose for which they are to be spent and the means by which operating activities are controlled. At this time the Gravity Drainage District maintains only a general fund, and account groups entitled General Fixed Assets Account Group and General Long-Term Debt Account Group.

The general Fund is the general operating fund of the Gravity Drainage District. It is used to account for all financial resources except those that would be required to be accounted for in another fund.

**C. Fixed Assets and Long-Term Liabilities**

The fixed assets used in the governmental fund type operations of the Drainage District are accounted for in the General Fixed Assets Account Group, rather than in the Governmental funds. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group and not in the governmental fund type operations.

The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

**D. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. The paper-assessed income, grant receipts, and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Purchase of various operating supplies are regarded as expenditures at the time purchased.

**E. Budgets**

Louisiana Local Government Budget Act, LSA-R.S. 39:1300-15 requires all governmental entities to prepare a comprehensive budget presenting a complete financial plan for the coming year. The Drainage District adopts an annual budget based on anticipated revenues consistent with generally accepted accounting principles. Annual appropriations of funds are not made. Budgetary accounts are not integrated in the formal accounting system. Disciplinary accounting is not followed because of the small number of transactions involved.

**F. Encumbrances**

The District does not use the encumbrance method of accounting.

**G. Investments**

Investments are certificates of deposit with maturities greater than 90 days when purchased. They are stated at cost which approximates market value.

**H. Cash and Cash Equivalents**

For purposes of reporting cash flows, the District considers Certificates of Deposit, Treasury Bills, and Money Market Funds, with a maturity of three months or less when purchased, to be cash equivalents.

**I. Inventories**

Inventories in the governmental funds are considered immaterial and the expenditures are recognized when the items are purchased.

**J. Compensated Absence**

The District has the following policy relating to vacation leave:

10 Days After	1 Year of Employment
15 Days After	8 Years of Employment
20 Days After	18 Years of Employment

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

5 Days After	1 Year of Employment
10 Days After	2 Years of Employment
15 Days After	10 Years of Employment

An employee may not carry over or borrow vacation or sick leave.



LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT NO. 5  
 Notes to the Financial Statements, Continued  
 December 31, 1995

K. Sales Taxes

In May, 1985, the voters passed a sales tax in which the District receives 1/2 of 1% upon the sale at retail, the use, the lease or rental, the consumption, and storage for use or consumption, of tangible personal property and on the sales of services in the District, as defined in L.R.S. 47:303 through 47:317, inclusive, for a period of 10 years from the date of first levy of said tax. In 1995, the District went before the voters and received a 10-year renewal of said tax to September, 2005.

L. Total Columns on Statements - Overview

The total columns on the statements - overview are captioned Memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position or results of operations, in conformity with generally accepted accounting principles. This is such data comparable to a consolidation.

1. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	BUILDING	FURNITURE AND FIXTURES	MACHINERY AND EQUIPMENT	Total
Balance -				
December 31, 1995	\$ 34,474	\$ 240	\$ 227,351	\$262,065
Additions	0	0	124,732	124,732
Reductions	0	0	0	0
Balance -				
December 31, 1996	\$ 34,474	\$ 240	\$ 352,083	\$386,797

3. CASH AND INVESTMENTS

Under State Law the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, any other state in the union, or under the laws of the United States. Further, the District may invest in time deposits or certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

## LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT NO. 5

Notes to the Financial Statements, Continued

December 31, 1996

As confirmed by the fiscal agent, the District had cash and investments totaling \$292,826 and a carrying value of \$233,392 at December 31, 1996. Cash and investments are stated at cost, which approximates market. These deposits must be secured under state law by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. These pledged securities are to be held in the name of the pledging bank in a custodial bank that is mutually acceptable to the parties involved. The following is a summary of cash and investments at December 31, 1996, with the related federal deposit insurance and pledged securities, if any:

	CONFIRMED BANK BALANCE DECEMBER 31, 1996	FEDERAL INSURANCE	BALANCE INSURED
Cash and Cash Equivalents	\$ 259,360	\$ 100,000	\$ 159,360
Investments - Time Certificate of Deposit (Maturity Greater than 90 Days)	____33,266	____33,266	____0
Total	<u>\$ 292,626</u>	<u>\$ 133,266</u>	<u>\$ 159,360</u>

The bank balance which is considered uninsured at December 31, 1996, is collateralized by pledged securities with an estimated market value of approximately \$178,536.

## 4. RECEIVABLES

A summary of Receivables as of December 31, 1996, follows:

CLASS OF RECEIVABLE	GENERAL
Taxes - Sales Tax	\$ 30,876
Interest - Accrued Interest	____438
	<u>\$ 31,314</u>

Accounts receivable are written-off under the direct write-off method whereby bad debts are recorded when a receivable is deemed uncollectible. If they are subsequently collected they are recorded as miscellaneous income.

The direct charge-off method is not a material departure from GAAP as it approximates the valuation method.

5. PENSION PLAN AND RETIREMENT COMMITMENTS

The District does not have a pension plan.

6. POST-RETIREMENT BENEFITS

The District does not offer any post-retirement benefits.

7. LEASES

A. Operating Lease

The District has an operating lease of the following nature:

The District is committed under a lease for land on which a shop is located. Lease expenditures for the year ended December 31, 1996 amounted to \$1.00. The following is a list of the leases:

<u>FACILITY</u>	<u>Term of LEASE</u>	<u>Expiration DATE</u>	<u>PAYMENT</u>
Shop Building - Land	10	10-31-97	\$ -/-

The following is a schedule by year of the future minimum payments on operating lease:

1996	\$ 1
1997	\$ 1

B. Obligation Under Capital Lease

The District has an obligation under a capital lease of the following nature:

Deere Credit, Inc.:

1995 lease agreement for financing the acquisition of a John Deere 5500  
Crawler Dozer with John Deere 4000 Winch. This lease includes a non-  
appropriation of funds clause but is in substance a capital lease and therefore has  
been recorded at the present value of the future minimum lease payments as of  
the date of inception in the General Long-Term Debt Account Group. 48.117

The following is a summary of future minimum lease payments under the capital lease and  
present value of the net minimum lease payments as of December 31, 1996.

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT NO. 5  
 Notes to the Financial Statements, Continued  
 December 31, 1998

YEAR ENDED DECEMBER 31,	TOTAL PAYMENTS
1997	\$ 18,691
1998	18,690
1999	<u>18,691</u>
Total Minimum Lease Payments	\$ 56,072
Less: Amount Representing Interest	<u>(16,385)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 40,777</u>

Deere Credit, Inc.:

1996 lease agreement for financing the acquisition of a John Deere 600E Excavator. This lease includes a non-appropriation of funds clause but is in substance a capital lease and therefore has been recorded at the present value of the future minimum lease payments as of the date of inception in the General Long-Term Debt Account Group. \$100,778

The following is a summary of future minimum lease payments under the capital lease and present value of the net minimum lease payments as of December 31, 1998.

YEAR ENDED DECEMBER 31,	TOTAL PAYMENTS
1997	\$ 28,644
1998	28,644
1999	28,644
2000	28,644
2001	<u>8,348</u>
Total Minimum Lease Payments	\$124,125
Less: Amount Representing Interest	<u>(16,348)</u>
Present Value of Net Minimum Lease Payments	<u>\$107,777</u>

8. LITIGATION

At December 31, 1998 there is one matter pending against the District, which in the opinion of legal council, will be resolved in favor of the District.

SUPPLEMENTAL INFORMATION

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT NO. 5  
Walker, Louisiana

Schedule of Per Diem Paid Board Members  
For the Year Ended December 31, 1996

Dugas, Paul	\$ 450
Hall, Lester	650
Harris, Richard	500
Jones, Ronnie	400
Kirkman, Preston	200
Townsend, Don	450
	<u>\$ 2,650</u>

**LEROY J. CHUSTZ**

CERTIFIED PUBLIC ACCOUNTANT, AICPA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE  
BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT ACCOUNTING STANDARDS**

Board of Commissioners  
Gravity Drainage District No. 5 of  
Livingston Parish  
Walker, Louisiana

I have audited the component unit financial statements of the Gravity Drainage District No. 5 of Livingston Parish, Louisiana, for the year ended December 31, 1996, and have issued our report thereon dated June 23, 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 District is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assure 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 the 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 the audit of the component unit financial statements of the Gravity Drainage District No. 5 of Livingston Parish, Louisiana, for the year ended December 31, 1996, I obtained an understanding of the internal control processes. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the internal control structure 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 financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level, the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions that are also considered to be material weaknesses as defined above.

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



Leroy J. Christy  
Certified Public Accountant, CPAE  
June 23, 1997



**LEROY J. CHUSTZ**  
**CERTIFIED PUBLIC ACCOUNTANT, CPA**

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT ACCOUNTING STANDARDS**

Board of Commissioners  
Gravity Drainage District No. 5 of  
Livingston Parish  
Walker, Louisiana

I have audited the component unit financial statements of the Gravity Drainage District No. 5 of Livingston Parish, Louisiana, for the year ended December 31, 1996, and have issued my report thereon dated June 25, 1997.

I conducted my audit in accordance with generally accepted auditing standards and Government Accounting Standards, issued by the Comptroller General of the United States. These 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 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, I performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, it should be noted that my objective 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 Accounting Standards for which the ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in the Gravity Drainage District's 1996 financial statements.

**Findings:**

**Findings:**

Pursuant to the provisions of the Louisiana Local Government Budget Act the Gravity Drainage District was required to prepare an operating budget for the year 1996. The District failed to prepare the required 1996 Budget.

**Recommendation:**

I recommend that the District prepare annual budgets in accordance with the provisions of L.A.R.S. 38:1501. In addition, I recommend that whenever proposed expenditures exceed \$150 that the District advertise and hold a public hearing prior to the adoption of the proposed budget. Finally, I recommend that whenever actual expenditures are estimated to exceed budgeted expenditures by greater than 5%, a formal budget amendment be adopted by the Board.

**Corrective Action Taken:**

The Board formally adopted a 1996 Operating Budget of \$251,150 on April 16, 1996.