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Release Date 7/2/98

VERNON R
COON
LEGISLATIVE AUDITOR

**GRANTY DRAINAGE DISTRICT NO. 2
OF CAMERON PARISH
Cameron, Louisiana**

**General Purpose Financial Statements
With Independent Auditor's Report
As of and for the Year Ended
December 31, 1997
With Supplemental Information Schedule**

**GRAVITY DRAINAGE DISTRICT NO. 3
OF CAMERON PARISH
Cameron, Louisiana**

**General Purpose Financial Statements
With Independent Auditor's Report
As of and for the Year Ended
December 31, 1997
With Supplemental Information Schedule**

C O N T E N T S

	Statement	Page No.
Independent Auditor's Report		2
General Purpose Financial Statements:		
Combined Balance Sheet - All Fund Types and Account Groups	A	3
Governmental Fund Type - Combined Statement of Revenues, Expenditures, and Changes in Fund Balances	B	6
Notes to the Financial Statements		7
	Schedule	Page No.
Supplemental Information Schedule - Schedule of Per Diem Paid Commissioners	1	16
Independent Auditor's Reports Required by Government Auditing Standards:		
Report on Compliance With Laws and Regulations		18
Report on Internal Control Structure		20
Schedule of Findings and Questioned Costs	2	22
Summary Schedule of Prior Auditing Findings	3	23



Independent Auditor's Report

**GRAVITY DRAINAGE DISTRICT NO. 3
OF CAMERON PARISH
Cameron, Louisiana**

I have audited the general purpose financial statements of Gravity Drainage District No. 3 of Cameron Parish, a component unit of the Cameron Parish Police Jury, as of December 31, 1997, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of Gravity Drainage District No. 3's management. My responsibility is to express an opinion on these general purpose 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. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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 general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Gravity Drainage District No. 3 of Cameron Parish, as of December 31, 1997, and the results of operations for the year then ended in conformity with generally accepted accounting principles.

VERNON COON
OFFICE OF SERVICE
PUBLIC ACCOUNTANTS

OFFICE OF LOUISIANA
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ACCOUNTANTS

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GRAVITY DRAINAGE DISTRICT NO. 3
OF CAMERON PARISH
Cameron, Louisiana
Independent Auditor's Report
December 31, 1987

My audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information schedule listed in the table of contents is prepared for the purpose of additional analysis and is not a required part of the general purpose financial statements of Gravity Drainage District No. 3 of Cameron Parish. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly presented, in all material respects, in relation to the general purpose financial statements taken as a whole.

In accordance with Government Auditing Standards, I have also issued a report dated June 29, 1988 on my consideration of the internal control structure of Gravity Drainage District No. 3 of Cameron Parish and a report dated June 29, 1988 on the district's compliance with laws and regulations.



West Monroe, Louisiana
June 29, 1988

**GENERAL PURPOSE FINANCIAL STATEMENTS
(OVERVIEW)**

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GRAVITY DRAINAGE DISTRICT NO. 3
OF CAMERON PARISH
Cameron, Louisiana
ALL FUND TYPES AND ACCOUNT GROUPS

Combined Balance Sheet, December 31, 1997

	DEPARTMENTAL — FUND TYPE —		ACCOUNT GROUP - GENERAL	TOTAL
	GENERAL FUNDS	CAPITAL PROJECTS	FUNDS ASSETS	(MEMORANDUM ONLY)
ASSETS				
Cash and cash equivalents	\$185,219	\$15,932		\$401,151
Receivables	209,025			209,025
Equipment			\$12,188	12,188
TOTAL ASSETS	\$394,244	\$15,932	\$12,188	\$622,364
LIABILITIES AND FUND EQUITY				
Liabilities - accounts payable	\$6,450	NONE	NONE	\$6,450
Fund Equity:				
Investment in general fixed assets			\$12,188	12,188
Fund balances - unreserved undesignated	\$387,800	\$15,932		\$604,732
Total Fund Equity	\$387,800	\$15,932	\$12,188	\$615,920
TOTAL LIABILITIES AND FUND EQUITY	\$394,244	\$15,932	\$12,188	\$622,364

The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 3
OF CAMERON PARISH
Cameron, Louisiana
GOVERNMENTAL FUND TYPE

Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 1997

	GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL MEMORANDUM ONLY
REVENUES			
Ad valorem taxes	\$198,608		\$198,608
Intergovernmental revenue - state revenue sharing (net)	2,353		2,353
Payment in lieu of taxes	1,405		1,405
Use of money and property	18,133	\$706	18,839
Total revenues	<u>220,499</u>	<u>706</u>	<u>221,205</u>
EXPENDITURES			
Public works - drainage:			
Current:			
Commissioners' per diem	2,880		2,880
Salary of secretary-treasurer	1,200		1,200
Operating services	57,333	84	57,417
Capital outlay	10,819		10,819
Intergovernmental	6,439		6,439
Total expenditures	<u>78,671</u>	<u>84</u>	<u>78,755</u>
EXCESS OF REVENUES OVER EXPENDITURES	141,826	622	142,448
FUND BALANCES AT BEGINNING OF YEAR	<u>446,879</u>	<u>15,180</u>	<u>462,059</u>
FUND BALANCES AT END OF YEAR	<u>\$588,705</u>	<u>\$15,802</u>	<u>\$604,507</u>

The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 3
OF CAMERON PARISH
Cameron, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 1997

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Gravity Drainage District No. 3 of Cameron Parish was created on April 6, 1931, as a political subdivision of the State of Louisiana under the provisions of Louisiana Revised Statutes 38:1751-1802, and was established for the purpose of opening and maintaining all natural dikes in the district where drainage is accomplished using the natural force of gravity. The district is governed by a board of 3 commissioners who are appointed by the Cameron Parish Police Jury.

A. REPORTING ENTITY

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

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

1. Appointing a voting majority of an organization's governing body, and:
 - a. The ability of the police jury to impose its will on that organization and/or;
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.

GRAVITY DRAINAGE DISTRICT NO. 3
OF CAMERON PARISH
Cameron, Louisiana
Notes to the Financial Statements (Continued)

3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury appoints all board members of the district and can impose its will on the district, the district was determined to be a component unit of the Cameron Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the district and do not present information on the police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. FUND ACCOUNTING

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

A fund is a separate accounting entity with a self-balancing set of accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities (general fund assets and general long-term obligations) that are not recorded in the "funds" because they do not directly affect net expendable available financial resources. They are concerned only with the measurement of financial position, not with the measurement of results of operations.

Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types." Governmental funds are used to account for a government's general activities, where the focus of attention is on the providing of services to the public as opposed to proprietary funds where the focus of attention is on recovering the cost of providing services to the public or other agencies through service charges or user fees. Fiduciary funds are used to account for assets held for others. The district's current operations require the use of only governmental fund types. The governmental fund types of the district are described as follows:

GRAVITY DRAINAGE DISTRICT NO. 3
OF CAMERON PARISH
Cameron, Louisiana
Notes to the Financial Statements (Continued)

General Fund

The General Fund is the general operating fund of the district and is used to account for all financial activities not required to be accounted for in other funds.

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.

C. FIXED ASSETS AND LONG-TERM DEBT

General fund assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures (capital outlay) in the governmental funds and the related assets are reported in the general fund assets account group. All purchased fixed assets are valued at historical cost. No depreciation has been provided on general fund assets. The cost of normal maintenance and repairs that do not add to the value of fixed assets or materially extend their useful lives are not capitalized.

The account group is not a "fund." It is concerned only with the measurement of financial position and does not involve measurement of results of operations. The district has no long-term debt at December 31, 1997.

D. BASIS OF ACCOUNTING

The financial reporting treatment applied to a fund is determined by its measurement focus. All 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 for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for reporting all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when

GRAVITY DRAINAGE DISTRICT NO. 3
OF CAMERON PARISH
Cameron, Louisiana
Notes to the Financial Statements (Continued)

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

Revenues

Ad valorem taxes and the related state revenue sharing are recorded in the year the taxes are due and payable. Ad valorem taxes are assessed on a calendar year basis and attach as an enforceable lien and become due and payable on the date the tax rolls are filed with the recorder of mortgages. Louisiana Revised Statute 47:1905 requires that the tax roll be filed on or before November 15 of each year. Ad valorem taxes become delinquent if not paid by December 31. The taxes are normally collected in December of the current year and January and February of the ensuing year.

Interest income on interest bearing demand deposits is recorded at the end of the month when credited by the bank. Interest income on time deposits is recorded when the time deposits have matured and the interest is available.

Based on the above criteria, ad valorem taxes and state revenue sharing have been treated as susceptible to accrual.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

E. BUDGET PRACTICES

Louisiana law exempts special districts created before December 31, 1974, from the requirements of the Local Government Budget Act. Gravity Drainage District No. 3 of Cameron Parish was created on April 6, 1931, and accordingly, is exempt from the budgetary requirements. Management has determined that, due to the amount and nature of the expenditures, the adoption of a budget is not required for control purposes.

GRAVITY DRAINAGE DISTRICT NO. 3
OF CAMERON PARISH
Cameron, Louisiana
Notes to the Financial Statements (Continued)

Accordingly, the district did not adopt a budget for the year ended December 31, 1997; therefore, the accompanying financial statements do not include a comparison of revenues and expenditures to budget.

F. CASH AND CASH EQUIVALENTS

Under state law, the district may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The district may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 1997, the district has cash and cash equivalents (bank balances) totaling \$411,151, as follows:

Demand deposits	\$37,151
Time deposits	<u>374,000</u>
Total	<u>\$411,151</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank.

Cash and cash equivalents (bank balances) at December 31, 1997, are secured as follows:

Bank Balances	<u>\$417,628</u>
Federal deposit insurance	\$128,628
Pledged securities (uncollateralized)	<u>359,621</u>
Total	<u>\$805,877</u>

Because the pledged securities are held by a custodial bank in the name of the fiscal agent bank rather than the name of the district, they are considered uncollateralized (Category 3) under the provisions of GASB Codification C20.106; however, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 30 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

GRAVITY DRAINAGE DISTRICT NO. 3
 OF CAMERON PARISH
 Cameron, Louisiana
 Notes to the Financial Statements (Continued)

G. VACATION/SICK LEAVE POLICY
 AND PENSION PLAN

The district has no employees; therefore, the district does not have a formal policy on vacation and sick leave and does not contribute to a pension plan.

H. TOTAL COLUMN ON COMBINED STATEMENTS

Total columns on the combined statements are captioned Memorandum Only (overview) to indicate that it is 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 consolidation.

2. LEVIED TAXES

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

	Authorized Millage	Levied Millage	Expiration Date
General maintenance	4.75	7.55	1998

The difference between authorized and levied millage is the result of assessments of taxable property in the district as required by Article 7, Section 18 of the Louisiana Constitution of 1974.

The following are the principal taxpayers for the district and their 1997 assessed valuation (amounts expressed in thousands):

	1997 Assessed Valuation	Percent of Total Assessed Valuation
Natural Gas Pipeline Company of America	\$7,690	5.46%
Warren NGL, Incorporated	7,270	5.14%
ANR Pipeline Company	7,164	5.06%
Transcontinental Gas Pipeline	4,034	2.85%
Amoco Production Company	3,697	2.61%
Texas Eastern Transmission Corporation	3,688	2.60%

GRAVITY DRAINAGE DISTRICT NO. 3
 OF CAMERON PARISH
 Cameron, Louisiana
 Notes to the Financial Statements (Continued)

	1997 <u>Assessed Valuation</u>	Percent of Total <u>Assessed Valuation</u>
Tugs Marine Assets	\$3,348	2.30%
Cargo Industrial Products	3,128	2.11%
Huguenot Barge Lines, Incorporated	3,306	2.30%
Tenneco	<u>3,873</u>	<u>2.72%</u>
Total	<u>\$16,100</u>	<u>11.58%</u>

3. RECEIVABLES

The General Fund receivables of \$200,025 at December 31, 1997, are as follows:

Class of Receivable	
Ad valorem taxes	\$197,517
State revenue sharing	<u>2,508</u>
Total	<u>\$200,025</u>

4. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in equipment follows:

Balance at January 1, 1997	\$1,369
Additions	10,819
Deletions	<u>NOSE</u>
Balance at December 31, 1997	<u>\$12,188</u>

5. LITIGATION AND CLAIMS

The district is not involved in any litigation at December 31, 1997, nor is it aware of any unasserted claims.

SUPPLEMENTAL INFORMATION SCHEDULE

GRAVITY DRAINAGE DISTRICT NO. 3
OF CAMERON PARISH
Cameron, Louisiana
SUPPLEMENTAL INFORMATION SCHEDULE
As of and For the Year Ended December 31, 1997

PER DIEM PAID COMMISSIONERS

The schedule of per diem paid commissioners was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. In accordance with Louisiana Revised Statute 38:1766, board members receive \$60 per diem for each board meeting they attend.

GRAVITY DRAINAGE DISTRICT NO. 1
OF CAMERON PARISH
Cameron, Louisiana

Schedule of Per Diem Paid Commissioners
For the Year Ended December 31, 1997

	<u>NUMBER</u>	<u>AMOUNT</u>
E. J. Drouot	10	5000
Scott Henry	10	600
Earl Guthrie	5	300
George Kelley	11	680
Edwin Quinn, President	12	<u>720</u>
Total		<u>\$7,800</u>

**Independent Auditor's Reports Required
by Government Auditing Standards**

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



**Independent Auditor's Report on
Compliance With Laws and Regulations**

**GRAVITY DRAINAGE DISTRICT NO. 3
OF CAMERON PARISH
Cameron, Louisiana**

I have audited the general purpose financial statements of Gravity Drainage District No. 3 of Cameron Parish, a component unit of the Cameron Parish Police Jury, as of December 31, 1997 and for the year then ended, and have issued my report thereon dated June 29, 1998.

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

Compliance with laws and regulations applicable to Gravity Drainage District No. 3 of Cameron Parish is the responsibility of the district's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, I performed tests of the district's compliance with certain provisions of laws and regulations. However, the objective of my audit of the general purpose 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

VERNON R. COON
OFFICE OF REGISTERED
PUBLIC ACCOUNTANTS

**OFFICE OF LOUISIANA
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GRAVITY DRAINAGE DISTRICT NO. 3
OF CAMERON PARISH
Cameron, Louisiana
Independent Auditor's Report
on Compliance, Etc.
December 31, 1997

This report is intended for the information of the board of commissioners of Gravity Drainage District No. 3 of Cameron Parish and management of the district. This is not intended to limit the distribution of this report, which is a matter of public record.



West Monroe, Louisiana
June 28, 1998



**Independent Auditor's Report
on Internal Control Structure**

**GRAVITY DRAINAGE DISTRICT NO. 3
OF CAMERON PARISH
Cameron, Louisiana**

I have audited the general purpose financial statements of Gravity Drainage District No. 3 of Cameron Parish, a component unit of the Cameron Parish Police Jury, as of December 31, 1997, and for the year then ended, and have issued my report thereon dated June 29, 1998.

I conducted my audit in accordance with generally accepted auditing standards and *Governor's 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 general purpose financial statements are free of material misstatement.

The management of Gravity Drainage District No. 3 of Cameron Parish is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing my audit of the general purpose financial statements of Gravity Drainage District No. 3 of Cameron Parish, for the year ended December 31, 1997, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies

VERNON R. COON
INDEPENDENT AUDITOR
PUBLIC ACCOUNTANTS

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GRAVITY DRAINAGE DISTRICT NO. 3
OF CAMERON PARISH
Cameron, Louisiana
Independent Auditor's Report on
Internal Control Structure
December 31, 1997

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 general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

I found the following matter involving the internal control structure and its operation which 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 the internal control structure that, in my judgment, could adversely affect the district's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

All accounting functions of the district, i.e., depositing and posting receipts and preparing, posting and issuing checks are performed by one individual. Such functions are not compatible and should be performed by separate individuals, however, because of the size of the district and its limited revenues, it is not economically feasible to correct this deficiency.

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 general purpose 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 and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses as defined above. However, I do not consider the reportable condition described above to be a material weakness.

This report is intended for the information of the board of commissioners of Gravity Drainage District No. 3 of Cameron Parish and management of the district. This is not intended to limit the distribution of this report, which is a matter of public record.


West Monroe, Louisiana
June 26, 1998

GRAVITY DRAINAGE DISTRICT NO. 3
OF CAMERON PARISH
Cameron, Louisiana

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 1997

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of Gravity Drainage District No. 3 of Cameron Parish.
2. No instances of noncompliance material to the financial statements of Gravity Drainage District No. 3 of Cameron Parish were disclosed during the audit.
3. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control Structure.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

GRAVITY DRAINAGE DISTRICT NO. 3
OF CAMERON PARISH
Cameron, Louisiana

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 1996

There were no audit findings reported in the audit for the year ended December 31, 1996.