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LEGISLATIVE COUNCIL

Financial Report

Gravity Drainage District No. 1
Livingston Parish, Louisiana
A Component Unit of the Livingston Parish Council

December 31, 1991

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

Release Date JUN 24 1991

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A Component Unit of the Livingston Parish Council

December 31, 1997

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NEIL G. FERRARI

(CERTIFIED Public Accountant)

14481 OLD HARRISBURG HIGHWAY, SUITE 4

BATON ROUGE, LOUISIANA 70818

MEMBER

PHONE (504) 878-1177

MEMBER OF THE
SOCIETY OF LOUISIANA CPAs

MEMBER OF THE
AMERICAN INSTITUTE OF CPAs

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of
Gravity Drainage District No. 1
Livingston Parish, Louisiana.

I have audited the accompanying general purpose financial statements of Gravity Drainage District No. 1 of Livingston Parish, Louisiana, a component unit of the Livingston Parish Council, as of and for the year ended December 31, 1997, as listed in the table of contents. These general purpose financial statements are the responsibility of the Gravity Drainage District'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 standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the 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 general purpose 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 above present fairly, in all material respects, the financial position of Gravity Drainage District No. 1 of Livingston Parish, Louisiana, as of December 31, 1997, 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 my report (see page 1) dated April 24, 1998 on my consideration of Gravity Drainage District No. 1's internal control over financial reporting and my tests of its compliance with laws, regulations, contracts, and grants.

My audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as "schedules" in the table of contents is presented for the purposes of additional analysis and is not a required part of the general purpose financial statements of Gravity Drainage District No. 1 of Livingston Parish, Louisiana. 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 stated in all material respects in relation to the general purpose financial statements taken as a whole.

Neil B. Fournier, CPA

Baton Rouge, Louisiana,
April 24, 1998.

NEIL G. FERRARI

CERTIFIED PUBLIC ACCOUNTANT

54485 G.D. HARRINGTON HIGHWAY, SUITE 4

BATON ROUGE, LOUISIANA 70818

MEMBER OF THE
SOCIETY OF LOUISIANA CPAs

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PHONE (504) 878-1177

REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners of
Gravity Drainage District No. 1
Livingston Parish, Louisiana.

I have audited the general purpose financial statements of Gravity Drainage District No. 1 of Livingston Parish, Louisiana, a component unit of the Livingston Parish Council, as of and for the year ended December 31, 1987, and have issued my report thereon dated April 24, 1988. I conducted my audit in accordance with generally accepted auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Gravity Drainage District No. 1 of Livingston Parish, Louisiana's, general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Gravity Drainage District No. 1 of Livingston Parish, Louisiana's, internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of

the internal control components does not reduce to a relatively low level the risk that misstatements in accounts 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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

Neil B. Ferran, CPA

Baton Rouge, Louisiana
April 24, 1998.

GENERAL PURPOSE FINANCIAL STATEMENTS

CONDENSED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS

Grading Drainage District No. 1 of Livingston Parish, Louisiana
 A Component Unit of the Livingston Parish Council
 Dechen Springs, Louisiana

December 31, 2007

	Governmental Fund Type		Account Groups		Total Reconciliation Only
	General Fund	Self Service Fund	General Fixed Assets	Special Long-Term Debt	
ASSETS AND OTHER DEBITS:					
Assets:					
Cash and cash equivalents	\$ 10,840	\$ 57,374	\$ -	\$ -	\$ 68,214
Restricted:					
Cash with fiscal agent	-	2,937	-	-	2,937
Investments	405,814	168,360	-	-	574,174
Receivables receivable:					
Ad valorem tax	108,921	12,040	-	-	120,961
Sales Tax	15,484	-	-	-	15,484
Revenue sharing	9,213	-	-	-	9,213
Deposits	973	-	-	-	973
Buildings, equipment & vehicles	-	-	400,000	-	400,000
Other debits:					
Amount available in OMB					
Service Fund	-	-	-	178,367	178,367
Total assets and other debits	\$175,468	\$178,881	\$400,000	\$178,367	\$1,812,636
LIABILITIES, EQUITY AND OTHER CREDITS					
Liabilities:					
Accounts payable	\$ 9,029	\$ -	\$ -	\$ -	\$ 9,029
Notes payable	-	-	-	140,000	140,000
Capital lease obligation	-	-	-	18,367	18,367
Total liabilities	\$ 9,029	\$ -	\$ -	\$178,367	\$287,396
Equity and other credits:					
Investment in general fixed assets	-	-	400,000	-	400,000
Fund balances:					
Reserved for capital outlay	40,774	-	-	-	40,774
Reserved for debt service	-	179,981	-	-	179,981
Designated for Baby's Cross Riverine Project	100,120	-	-	-	100,120
Unreserved/un-designated	818,824	-	-	-	818,824
Total fund equity and other credits	100,120	179,981	400,000	-	1,410,101
Total liabilities, equity, and other credits	\$175,468	\$178,881	\$400,000	\$178,367	\$1,812,636

The accompanying notes are an integral part of this statement.

**COMBINED STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS - TYPE**

Crawley Drainage District No. 2 of Livingston Parish, Louisiana
a Component Unit of the Livingston Parish Council
Denham Springs, Louisiana

For the year ended December 31, 1987

	<u>General Fund</u>	<u>State Service Fund</u>	<u>Total (Memorandum Only)</u>
REVENUES			
Taxes:			
Sales	261,383	-	261,383
Ad valorem	179,247	21,221	200,468
Intergovernmental:			
State of Louisiana revenue sharing	26,954	-	26,954
Investment income	26,493	6,829	33,322
Interest on ad valorem taxes	4,183	2,021	6,204
Total revenues	<u>488,453</u>	<u>29,041</u>	<u>517,494</u>
EXPENDITURES			
Current:			
Salaries	140,644	-	140,644
Insurance	24,282	-	24,282
Employee benefits	28,488	-	28,488
Professional services	14,181	-	14,181
Payroll taxes	11,234	-	11,234
Truck operations and maintenance	5,607	-	5,607
Sales tax collection fees	9,232	-	9,232
Contributions to pension plan for parochial employees	3,224	854	4,078
Commissioners per diem	4,442	-	4,442
Office expenses	4,200	-	4,200
Materials and supplies	3,703	-	3,703
Utilities	3,488	-	3,488
Other	542	282	824
Debt services:			
Principal retirement	7,948	40,000	47,948
Interest	1,458	6,887	8,345
Capital Outlay	272,422	-	272,422
Total expenditures	<u>522,217</u>	<u>47,022</u>	<u>569,239</u>
Excess (deficiency) of revenues over expenditures	(70,864)	(17,981)	(88,845)
Fund balances at beginning of year	<u>623,276</u>	<u>182,422</u>	<u>805,698</u>
Fund balances at end of year	<u>552,412</u>	<u>164,441</u>	<u>716,853</u>

The accompanying notes are an integral part of this statement.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Gravity Drainage District No. 1 of Livingston Parish, Louisiana
A Component Unit of the Livingston Parish Council
Denham Springs, Louisiana

December 31, 1997

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization and Nature of Operations:

Gravity Drainage District No. 1 of Livingston Parish, Louisiana (the District) was created November 22, 1988, by the Livingston Parish Council, as provided by Louisiana Revised Statute 18:2781. The District is governed by a board of five commissioners who are appointed by the Livingston Parish Council. There were 3 people employed by the District in 1997, not including its commissioners. The District is authorized to construct, maintain and improve the system of gravity drainage within Ward Two of Livingston Parish, Louisiana.

b. Reporting Entity:

As the governing authority of the parish, for reporting purposes, the Livingston Parish Council is the financial reporting entity for Livingston Parish. The financial reporting entity consists of (a) the 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 Statement No. 14 established criteria for determining which component units should be considered part of the Livingston Parish Council for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

1. Approving a voting majority of an organization's governing body, and
 - a. The ability of the parish council to impose its will on the organization and/or
 - b. 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's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the Livingston Parish Council appoints a voting majority of the District's governing body, and can impose its will on the District, the District was determined to be a component unit of the Livingston Parish Council, 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 Livingston Parish Council, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

c. Basis of Statement Presentation:

The accounting and reporting policies of the Gravity Drainage District No. 1 of Livingston Parish, Louisiana, conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In addition, the accounting and reporting procedures conform to the requirements of Louisiana Revised Statutes 24:124, the Louisiana Governmental Audit Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

d. Fund Accounting:

The District uses funds and account groups to report 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. Funds of the District are classified as governmental funds. Governmental funds account for the District's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. The governmental funds presented in the financial statements are described as follows:

Governmental Fund Types

General Fund:

The General Fund is the general operating fund of Gravity Drainage District No. 1. It is used to account for all financial resources, except those required to be accounted for in other funds.

Debt Service Fund:

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

e. Account Groups:

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. The following two account groups are not "funds".

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

a. Account Groups: - (continued)

General Fixed Assets:

The fixed assets used in governmental fund type operations of Sewerly Drainage District No. 1 are accounted for (capitalized) in the General Fixed Assets Account Group and are recorded as expenditures (capital outlays) in the governmental fund types when purchased or constructed.

General Long-Term Debt:

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group. Principal and interest payments on long-term liabilities (public improvement bonds and capital lease obligations) are accounted for in the debt service fund.

f. 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 practice in recording revenues and expenditures:

Revenue Recognition

Revenues are recognized in the accounting period in which they become available and measurable. Available means due or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period (normally within 60 days).

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

f. Basis of Accounting: - (continued)

The following are the revenue recognition policies used by the Gravity Drainage District No. 1:

- The District's ad valorem property tax is levied each November 15 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. This tax becomes delinquent on January 1 of the following year. The assessed value of the property on the tax roll as of January 1, 1997, was \$22,467,340. The tax rates assessed for 1997 to finance general fund operations and the payment of principal and interest on the public improvement bonds were \$-.453 and \$-.28 per \$100 of property valuation, respectively, for a total of \$-.735 per \$100 valuation.

The taxes are generally collected in December of the current year and January and February of the following year. During May (of the year after the year when the tax was due), properties with delinquent taxes are advertised for auction by the Parish Sheriff. The auction is normally scheduled for June or July. It is at this time a lien is placed on the property. Properties not sold at the auction are adjudicated to the State of Louisiana. Current year ad valorem taxes are recognized as revenue if collected within sixty days after the end of the year.

- State revenue sharing, which is based on population and households in Livingston Parish for the Gravity Drainage District No. 1, is \$26,616 for calendar year 1996 and \$27,635 for calendar year 1997. Although these amounts are measurable at the end of the year for which they are calculated, they are not considered available unless payments were received by the District within 60 days after the end of the year. One-third (\$8,872) of the 1996 revenue sharing was recognized as revenue in 1996 because it was received within 60 days after the end of the year and two thirds (\$17,744) was recognized as revenue in

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

f. Basis of Accounting: - (continued)

1987. One third of the 1987 revenue sharing (\$9,312) was also recognized as revenue in 1987 because it was received within 90 days after the end of the year.

- Interest earned on idle cash and investments is recorded when income is available.
- Grant revenues are recorded when Gravity Drainage District No. 1 is entitled to reimbursement of expenditures under the terms of the grant.
- Sales tax revenue is recognized when it is both measurable and available to finance expenses of the fiscal period. Therefore, sales tax revenues for 1986 that were remitted to the Gravity Drainage District No. 1 in January or February, 1987 are included in 1986 revenue, and sales tax revenues for 1987 that were remitted to the District in January or February, 1988 are included in 1987 revenue.

Expenditures

Expenditures are recognized in the accounting period in which the liability is incurred, if measurable.

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses). They are recorded when the transfer is made.

g. Budgetary Policy and Budgetary Accounting:

The District prepares an annual operating budget on the modified accrual basis for general activities which is consistent with generally accepted accounting principles (GAAP).

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

g. Budgetary Policy and Budgetary Accounting: -
(continued)

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- Prior to the first Tuesday of December of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year which begins January 1. The operating budget includes proposed expenditures and the means of financing them.
- The budget is reviewed and discussed at a public hearing in December. The public hearing for the District's 1997 budget was held on December 19, 1996. The public hearing for the District's 1998 budget was held December 9, 1997.
- Following the public hearing, the Board of Commissioners adopts the budget.

Once the budget is approved, it can be amended by approval of a majority of the Board of Commissioners. The process of presenting and approving budget amendments follows a procedure similar to the one used to adopt the initial budget.

There was one amendment made to the budget that was initially adopted for 1997. All budget appropriations lapse at year-end.

h. Cash, Cash Equivalents, and Investments:

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

b. Cash, Cash Equivalents, and Investments: -
(continued)

Investments are stated at cost, except for investments in mutual funds which are carried at redemption value. At year end, investments consisted of cash invested in certificates of deposit with maturities of greater than 90 days, a mutual fund invested 100% in U.S. government securities, and bonds issued by the Tennessee Valley Authority, an instrumentality of the United States of America.

c. Prepaid Items:

Prepaid items are accounted for as expenditures in the period of acquisition.

d. Land, Buildings, Equipment and Depreciation:

All fixed assets are valued at historical cost or estimated historical cost, if historical cost is not available. Because historical cost is available for all of fixed assets, no fixed asset costs have been estimated. Public domain or infrastructures are not capitalized. When assets are constructed with borrowed money the interest expense paid on the related debt is capitalized as part of the cost of the asset. No depreciation has been provided on general fixed assets.

e. Vacation and Sick Leave:

All permanent full-time employees earn from 10 to 30 days of vacation leave each year on their anniversary date depending upon the number of years employed. All permanent full-time employees earn from 8 to 28 days of sick leave each year depending upon the number of years employed. Vacation and sick leave cannot be accumulated beyond one year. Gravity Drainage District No. 1 has not accrued any expenses relating to unused leave in the financial statements because earned but unused vacation was not a material amount. The cost of current leave privileges, computed in accordance with GASB codification Section 680, is recognized as a current year expenditure in the General Fund when the leave is actually used.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

l. Transfers and Interfund Loans:

Advances between funds which are not expected to be repaid are accounted for as transfers. In those cases where repayment is expected, the advances are accounted for through the various due from and due to accounts.

m. Reservations and Designations of Fund Balances:

Reserved fund balances represent those portions of the fund balance which are either not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources as approved by the Board of Commissioners.

n. Management's Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

o. Total Column on the 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 do not present financial position or results of operations, in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 2 - CASH AND CASH EQUIVALENTS

At December 31, 1997, the District has unrestricted cash and cash equivalents totaling \$90,314, as follows:

	Debt		Totals
	General Fund	Service Fund	
Petty cash	\$ 100	\$ -	\$ 100
Interest bearing demand deposits at Hancock Bank	11,004	67,274	78,278
Edward D. Jones - Passport money market account	19,438	-	19,438
Totals	\$ 31,042	\$ 67,274	\$ 98,314

The cash and cash equivalents heretofore are stated at cost, which is equal to market. The interest bearing demand deposits at Hancock Bank are represented by 1 accounts which, when combined as of December 31, 1997, had collected bank balances of \$88,318. All of these bank deposits are covered entirely by federal deposit insurance at the balance sheet date. GASB Statement 3 categorizes the credit risk of the Hancock Bank deposits as Category 1 because they are fully insured.

The \$19,438 held in the Edward D. Jones-Passport money market account is insured by the Securities Investor Protection Corporation, which reduces credit risk similarly to federal deposit insurance. Accordingly, these deposits are also classified as Category 1 in accordance with GASB Statement 3.

Petty cash of \$100 is unsecured.

The District also has \$2,507 on deposit with its fiscal agent which is covered entirely by federal deposit insurance and making it a Category 1 credit risk. The \$2,507 is reported as restricted cash in the debt service fund on the combined balance sheet.

Note 3 - INVESTMENTS

The District's primary purpose for investing is to earn interest income on money that has been determined to be in excess of immediate cash needs. State statutes authorize the District to invest temporarily idle monies in the following:

1. United States Treasury Bonds,
2. United States Treasury Notes,
3. United States Treasury Bills,
4. Obligations of U.S. Government Agencies, including such instruments as Federal Home Loan Bank bonds, Government National Mortgage Association bonds, or a variety of "Federal Farm credit" bonds,
5. Fully collateralized certificates of deposit issued by qualified commercial banks and savings and loan associations located within the State of Louisiana,
6. Fully collateralized repurchase agreements,
7. Fully collateralized interest-bearing checking accounts, and
8. 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.

Investments at December 31, 1997 consisted of the following:

	<u>Carrying</u> <u>Value</u>	<u>Market</u> <u>Value</u>	<u>Maturity</u>	<u>Interest</u> <u>Rate</u>
General Fund:				
Certificates of deposit:				
Hibernia National Bank	\$180,000	\$180,000	03/28/98	5.38%
Hibernia National Bank	105,121	105,121	03/09/98	6.30%
Hibernia National Bank	83,203	83,203	06/18/98	6.35%
Hibernia National Bank	78,943	78,943	03/28/98	5.53%
Deposit Guaranty National Bank	78,023	78,023	06/07/98	4.43%

Note 3 - INVESTMENTS - (continued)

	<u>Carrying Value</u>	<u>Market Value</u>	<u>Maturity</u>	<u>Interest Rate</u>
Other:				
Tennessee Valley Authority Bonds, dated 03-01-92	80,000	82,000	08/01/92	7.425%
Fordham U.S. Govt. Income Trust (mutual fund)	<u>68,810</u>	<u>68,810</u>	Demand	Various
Total general fund	<u>148,810</u>	<u>150,810</u>		
Debt Service Funds:				
Hibernia National Bank- Certificate of Deposit	<u>108,160</u>	<u>108,160</u>	01/21/98	5.20%
Total debt service fund	<u>108,160</u>	<u>108,160</u>		
Total all funds	<u>\$256,970</u>	<u>\$258,970</u>		

Under state law, bank deposits 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 or exceed the amount on deposit with the fiscal agent. The pledged 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.

As December 31, 1997, the District had invested \$108,160 in certificates of deposit. These deposits are secured from risk by \$178,023 of federal deposit insurance (Category 1). The remaining \$433,410 is secured by the pledge of securities by Hibernia National Bank because the District has more than \$100,000 on deposit with that bank. GPOB Statement 3 categorizes the \$433,410 as uncollateralized (Category 3) because the bank has pledged securities held by its agent, but the securities are not in the District's name.

Note 3 - INVESTMENTS - (continued)

Even though \$433,446 of bank balances are considered uncollateralized (Category 3) under the provisions of GAO Statement No. 3, Louisiana Revised Statute 28:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

The Putnam U.S. Government Income Trust invests only in U.S. Government Securities, such as: obligations issued directly by the U.S. Treasury and obligations issued or guaranteed by U.S. government agencies. There were no sales of this mutual fund during the year; however, \$3,908 of dividends earned were reinvested into the mutual fund during the year. The mutual fund investment has not been assigned a category of credit risk similar to the other investments because this type of investment is not evidenced by securities that exist in physical or book entry form.

The Tennessee Valley Authority bonds were purchased on September 14, 1983 for 100% of their stated value. Although these bonds are not backed by the full faith and credit of the United States government, the Tennessee Valley Authority is a wholly-owned corporate agency and instrumentality of the United States of America. Interest is payable semi-annually on September 1st and March 1st. Because this investment is registered in the District's name, GAO Statement 3 classifies the investment as a "Category a" type of credit risk.

Note 4 - RECEIVABLES

The following is a summary of receivables at December 31, 1983:

	General	Debt	
	Fund	Service	Totals
		Fund	
Ad valorem taxes	\$188,981	\$ 12,049	\$201,030
Sales tax	18,484	-	18,484
Revenue sharing	2,212	-	2,212
Total receivables	\$209,677	\$ 12,049	\$221,726

Note 4 - RECEIVABLES - (continued)

The receivable for ad valorem taxes consists of actual collections of 1997 and prior year taxes by the Livingston Parish Sheriff and Tax Collector during the period from January 1, 1998 to February 28, 1998. The receivable for sales tax consists of taxes for December, 1997 remitted by the Livingston Parish School Board in January, 1998. The receivable for revenue sharing is the first one-third of 1997 revenue sharing, which was remitted by the Livingston Parish Sheriff and Tax collector in January, 1998.

Management has deemed it unnecessary to set up an allowance for uncollectible accounts for these receivables because of the certainty of the receivable collections.

Note 5 - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance 01-01-97	Additions	Deletions	Balance 12-31-97
Equipment (*)	\$228,828	\$ 68,849	\$ -	\$297,677
Buildings	74,814	3,300	-	78,114
Land	88,000	-	-	88,000
Property leased under capital lease:				
Equipment	42,441	-	-	42,441
	<u>\$434,083</u>	<u>\$ 72,149</u>	<u>\$ -</u>	<u>\$506,232</u>

(*) includes vehicles

Note 6 - RETIREMENT PLANS

Gravity Drainage District No. 1 employees participate in the Federal Social Security program, thus the District is required to remit an amount equal to the employee's contribution. Gravity Drainage District No. 1 does not guarantee any of the benefits granted by the Federal Social Security Program.

On January 1, 1994, Gravity Drainage District No. 1 adopted the Faflex Prototype Simplified Employee Pension Plan (SEPP) for its employees. Under this defined contributions plan, individual retirement accounts with Faflex Investments are established for each eligible employee to which the District will make a contribution as determined on a year-to-year basis by the District's board of commissioners. Because contributions are made to individual retirement accounts, all contributions received by an employee are 100% vested. The employee may select between several investment options. Gravity Drainage District No. 1 does not guarantee the results of these investments. The District's Board of Commissioners voted to contribute 3.0% of eligible wages (\$67,868) for 1997. Accordingly, \$6,810 was contributed by the District for the eligible employees in 1997. Total gross payroll for all employees, including commissioner per diem, for the year was \$143,094. The employees eligible to participate in the plan cannot elect to contribute to the plan. All contributions must be made by the District. Contributions cannot exceed the lesser of 1% of each eligible employee's compensation, excluding compensation in excess of \$180,000, or \$38,000. Eligible employees include anyone at least age 21 who has worked for the District three of the last five years, and received at least \$400 of wages during the year. Members of the Board of Commissioners are not eligible to participate in the SEPP.

Gravity Drainage District No. 1 also helps to pay for retirement benefits of another retirement plan, the Parochial Employees Retirement System of Louisiana (system), a multiple-employer (cost sharing), public employees retirement system (PERS). Contributions to this system are derived by using one fourth of one percent of the taxes shown to be collectible by the tax rolls of Livingston Parish. The District's share of these contributions are deducted off the top of the ad valorem tax revenues to which the District is entitled. For 1997, \$3,378 of ad valorem tax revenues were used to pay these benefits. None of the employees of the District participate or benefit from the contributions to this retirement system.

Note 7 - CHANGES IN GENERAL LONG-TERM DEBT

The following is a summary of the changes in general long-term debt for the District for the year ended December 31, 1997:

Description and Purpose	Balance 12-31-97	Issued	Retired	Balance 12-31-97
Public Improvement bonds	\$200,000	-	\$(48,000)	\$150,000
Capital lease obligation	<u>26,315</u>	<u>-</u>	<u>(7,840)</u>	<u>18,475</u>
Total	<u>\$226,315</u>	<u>\$ -</u>	<u>\$(47,840)</u>	<u>\$178,475</u>

The long-term debt outstanding at December 31, 1997, consists of the unpaid principal of public improvement bonds which were originally issued for \$700,000 on March 1, 1971. The bonds mature from 1998 to 2001 at an interest rate of 5.8 percent per annum. At December 31, 1997, there were outstanding interest payments totaling \$18,880. The bonds are secured by an ad valorem tax on real property within Ward Two of Livingston Parish, Louisiana. The combined aggregate amounts of maturities and sinking fund requirements are as follows:

Maturity	Bond Number	Rate	Early Payments		Total	Bonds Outstanding
			Principal	Interest		
1998	840-880	5.7%	40,000	8,268	48,268	100,000
1999	880-920	5.7%	40,000	8,800	48,800	80,000
2000	920-960	5.7%	40,000	9,548	49,548	40,000
2001	960-100	5.7%	40,000	1,188	41,188	-
	Totals		<u>\$160,000</u>	<u>\$ 18,880</u>	<u>\$178,880</u>	

Also included in the long-term debt account group is a capital lease obligation incurred during 1994 for the purchase of equipment. (See Note 8).

Note 2 - LEASE COMMITMENTS

In November, 1994, the District entered into a lease agreement for the purchase of a backhoe loader. The lease is a capital lease, with monthly payments of \$988 beginning in November, 1994, for twelve months, with four one year renewal options. The lease terms provide that title to the equipment shall pass to the District immediately upon acceptance of the equipment by the District, subject to the Lessor's security interest. However, in the event funds are not appropriated or budgeted in any fiscal year, no further liability will be imposed upon the District by the Lessor, and the equipment can be returned by the District to the Lessor.

Future minimum payments, by year-end in the aggregate under the capital lease are as follows:

1998	\$18,272
1999	<u>2,418</u>
Total minimum lease payments	19,690
Less imputed interest at an annual percentage rate of 7.941%	<u>(1,321)</u>
Present value of net minimum lease payments	\$18,367

Note 3 - CONTINGENCIES

The District is a defendant in a lawsuit whereby a previous employee has alleged that he was unlawfully terminated and did not receive all his compensation for work performed and for unpaid vacation leave. The District's management and attorney believe this case has no merit and that the District will not have any liability in this matter.

The District is a defendant in another lawsuit whereby a previous employee alleges that he was unlawfully terminated without prior notice. The District's management and attorney believe this case has no merit and the District will not have any liability in this matter.

Note 9 - CONTINGENCIES - (continued)

The District is a defendant in a lawsuit whereby the plaintiff alleges a child fell off a defective bridge owned and built by the District. The District's management believes that any potential settlement that might arise in this matter should be covered adequately by the District's liability insurance.

Finally, the District is a defendant in a lawsuit whereby the plaintiff alleges property damages due to work performed by employees of the District. The District's attorney cannot provide an opinion about the possible outcome or an estimate of any potential judgement against the District because the case is still in the discovery stage. The District's management denies any responsibility for alleged damages and intends to defend itself in court.

Note 10 - INCOME TAXES

Gravity Drainage District No. 1 is exempt from all Federal and Louisiana income taxes.

Note 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has purchased commercial insurance to cover or reduce the risk of loss that might arise should one of these incidents occur. There have been no settlements in excess of insurance coverage in any of the past three years.

Note 12 - RELATED PARTY TRANSACTIONS

There were no related party transactions in 1997.

Note 13 - PURCHASE COMMITMENTS

The District has entered into two separate agreements to purchase a truck for \$19,847 and a 4 wheel drive tractor for \$20,929. Both purchases are from the State of Louisiana's purchasing contract list. A reservation of the General Fund's fund balances has been made for these capital outlays.

Note 14 - DESIGNATION OF FUNDS FOR GRAY'S CREEK DIVERSION PROJECT

The Board of Commissioners has designated a \$108,120 certificate of deposit, which is included in investments of the General Fund, for use as a part of the District's required matching funds provided funding is received from the State of Louisiana for this project.

SUPPLEMENTAL FINANCIAL INFORMATION

SUPPLEMENTAL FINANCIAL INFORMATION

Gravity Drainage District No. 1 of Livingston Parish, Louisiana
 A component unit of the Livingston Parish Council
 Denham Springs, Louisiana

December 31, 1997

PER DIEM PAID BOARD MEMBERS

Each member of the Board of Commissioners received a per diem allowance of \$98 for attending each regular or special meeting of the board, not to exceed 24 meetings in one calendar year. Per diems were received as follows for the year ended December 31, 1997:

<u>Commissioner</u>	<u>Number of Meetings</u>	<u>Amount Received</u>
Evelyn Bond	11	\$ 600
Hollis Cutrer	13	780
David Gros	18	960
George Provost	16	980
Jessie Wheat	16	980
Norman Fogg	2	196
		<u>4,440</u>
Total		\$4,440

Norman Fogg replaced Hollis Cutrer as a board member in December, 1997.

Gravity Drainage District No. 1 of Livingston Parish, Louisiana
A Component Unit of the Livingston Parish Council
Berham Springs, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 1997

I have audited the financial statements of Gravity Drainage District No. 1 of Livingston Parish, Louisiana as of and for the year ended December 31, 1997, and have issued my report thereon dated April 24, 1998. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. My audit of financial statements as of December 31, 1997 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

- a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ___ Yes X No
Reportable Conditions ___ Yes X No

Compliance

Compliance Material
to Financial Statements ___ Yes X No

- b. Federal Awards

There were NOT any federal awards. This section is not applicable.

- c. Identification of Major Programs:

This section is not applicable.

Section II - Financial Statements Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

This section is not applicable.

Gravity Drainage District No. 1 of Livingston Parish, Louisiana
A component unit of the Livingston Parish Council
Denham Springs, Louisiana

SCHEDULE OF FIVE YEAR AUDIT FINDINGS

For the Year Ended December 31, 1987

Section I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

No findings.

Section II - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

No findings.

Section III - MANAGEMENT LETTER

<u>Description of the Matter and Auditor's Recommendations</u>	<u>Status</u>
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SEP contribution deposit errors -

SEP contributions should be made directly into the individual SEP-IRA accounts.	Resolved
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Unsecured bank deposits -

Fledged securities should be marked to market no less frequently than quarterly, or every time a certificate of deposit is purchased or renewed.	Resolved
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