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

Tickfaw, Louisiana

**COMPONENT UNIT FINANCIAL STATEMENTS**

As of and for the Two Years Ended

December 31, 1998

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 Aug 11 1999

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

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

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Independent Auditor's Report

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

I have audited the accompanying component unit financial statements of the Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish, a component unit of the Tangipahoa Parish Council, as of December 31, 1998, and for the two years then ended as listed in the table of contents. These financial statements are the responsibility of the Consolidated Gravity Drainage District No.1 of Tangipahoa Parish. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish as of December 31, 1998, and the results of its operations for the two years then ended in conformity with generally accepted accounting principles.

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

The year 2000 supplementary information on page 19 is not a required part of the component unit financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and do not express an opinion on it. In addition, I do not provide assurance that the Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish is or will become year 2000 compliant, that the Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish does business are or will become year 2000 compliant.

Independent Auditor's Report - Page 2

In accordance with *Government Auditing Standards*, I have also issued a report dated June 1, 1999, on my tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants and on my consideration of its internal control over financial reporting.

  
Certified Public Accountant

June 1, 1999

COMPONENT UNIT FINANCIAL STATEMENTS

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

Balance Sheet - All Fund Types and Account Group  
 December 31, 1998

	Governmental Funds		Account Group	Total (Memorandum Only)
	General Fund	Capital Projects Fund	General Fixed Assets	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 244,145	\$ 359,397	\$ -	\$ 603,542
Investments	1,606,293	1,400,410	-	3,006,703
Receivables	671,616	9,375	-	680,991
Prepaid insurance	9,236	9,236	-	18,472
Land, buildings, and equipment	-	-	1,319,163	1,319,163
<b>TOTAL ASSETS</b>	<b>\$2,531,290</b>	<b>\$1,778,418</b>	<b>\$1,319,163</b>	<b>\$5,628,871</b>
 <b>LIABILITIES, EQUITY, AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 15,913	\$ 11,338	\$ -	\$ 27,251
Other payables	32,253	8,706	-	40,959
Deductions from ad valorem taxes payable	25,940	-	-	25,940
<b>Total Liabilities</b>	<b>74,106</b>	<b>20,044</b>	<b>-</b>	<b>94,150</b>
 <b>Equity and Other Credits:</b>				
Investment in general fixed assets	-	-	1,319,163	1,319,163
<b>Fund balances:</b>				
Reserved for prepaid insurance	9,236	9,236	-	18,472
Unreserved - undesignated	2,447,948	1,749,138	-	4,197,086
<b>Total Equity and Other Credits</b>	<b>2,457,184</b>	<b>1,758,374</b>	<b>1,319,163</b>	<b>5,534,721</b>
<b>TOTAL LIABILITIES, EQUITY, AND OTHER CREDITS</b>	<b>\$2,531,290</b>	<b>\$1,778,418</b>	<b>\$1,319,163</b>	<b>\$5,628,871</b>

The accompanying notes are an integral part of this statement.

CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 1  
OF TANGIPAOA PARISH  
(A Component Unit of the Tangipahoa Parish Council)  
Tickfaw, Louisiana

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

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total (Memorandum) Only</u>
<b>REVENUES</b>			
Ad valorem taxes	\$ 677,251	\$ -	\$ 677,251
Intergovernmental:			
State revenue sharing	78,538	-	78,538
Investment earnings	104,511	108,067	212,578
Other income	<u>324</u>	<u>10</u>	<u>334</u>
Total Revenues	<u>860,624</u>	<u>108,077</u>	<u>968,701</u>
<b>EXPENDITURES</b>			
Personal services	260,850	171,084	431,934
Contractual services	12,770	15,213	27,983
Materials and supplies	36,399	36,130	72,529
Statutory charges	25,940	-	25,940
Other charges	62,074	55,535	117,609
Capital outlay	41,389	41,059	82,448
Rehab projects	<u>150,903</u>	<u>-</u>	<u>150,903</u>
Total Expenditures	<u>590,325</u>	<u>319,021</u>	<u>909,346</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	270,299	(210,944)	59,355
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from sale of equipment	-	14,689	14,689
Legal settlement	<u>(7,061)</u>	<u>(7,061)</u>	<u>(14,122)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	263,238	(203,316)	59,922
<b>FUND BALANCES:</b>			
BEGINNING OF YEAR	<u>2,193,946</u>	<u>1,961,690</u>	<u>4,155,636</u>
END OF YEAR	<u>\$2,457,184</u>	<u>\$1,758,374</u>	<u>\$4,215,558</u>

The accompanying notes are an integral part of this statement.

CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 1  
OF TANGIPAOA PARISH  
(A Component Unit of the Tangipahoa Parish Council)  
Tickfaw, Louisiana

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

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total (Memorandum) Only</u>
<b>REVENUES</b>			
Ad valorem taxes	\$ 669,350	\$ -	\$ 669,350
Intergovernmental:			
State revenue sharing	97,974	-	97,974
Investment earnings	90,621	108,783	199,404
Other income	<u>49</u>	<u>49</u>	<u>98</u>
Total Revenues	<u>857,994</u>	<u>108,832</u>	<u>966,826</u>
<b>EXPENDITURES</b>			
Personal services	246,263	182,608	428,871
Contractual services	15,055	17,988	33,043
Materials and supplies	22,350	21,855	44,205
Statutory charges	25,108	-	25,108
Other charges	79,882	74,462	154,344
Capital outlay	34,005	34,005	68,010
Rehab projects	<u>152,161</u>	<u>-</u>	<u>152,161</u>
Total Expenditures	<u>574,824</u>	<u>330,918</u>	<u>905,742</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	283,170	(222,086)	61,084
<b>OTHER FINANCING SOURCES (USES):</b>			
Residual equity transfers in	-	5,277	5,277
Proceeds from sale of equipment	1,552	1,552	3,104
Legal settlement	<u>(289)</u>	<u>(289)</u>	<u>(578)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	284,433	(215,546)	68,887
<b>FUND BALANCES:</b>			
BEGINNING OF YEAR, as restated	<u>1,909,513</u>	<u>2,177,236</u>	<u>4,086,749</u>
END OF YEAR	<u>\$2,193,946</u>	<u>\$1,961,690</u>	<u>\$4,155,636</u>

The accompanying notes are an integral part of this statement.



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

GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget (GAAP Basis) and Actual  
For the Year Ended December 31, 1998

	GENERAL FUND		CAPITAL PROJECTS FUND	
	Budget	Actual	Budget	Actual
				Variance Favorable (Unfavorable)
REVENUES				
Ad valorem taxes	\$ 554,225	\$ 677,251	\$ -	\$ -
State revenue sharing	90,000	78,538	-	-
Investment earnings	62,500	104,511	85,000	108,067
Other income	<u>2,000</u>	<u>324</u>	-	<u>10</u>
TOTAL REVENUES	<u>708,725</u>	<u>860,624</u>	<u>85,000</u>	<u>108,077</u>
				<u>23,077</u>
EXPENDITURES				
Personal services	287,050	260,850	242,950	171,084
Contractual services	24,150	12,770	24,150	15,213
Materials and supplies	49,450	36,399	50,450	36,130
Statutory charges	25,500	25,940	-	-
Other charges	109,500	62,074	104,500	55,535
Capital outlay	57,300	41,389	57,300	41,059
Rehab projects	<u>212,500</u>	<u>150,903</u>	-	-
TOTAL EXPENDITURES	<u>765,450</u>	<u>590,325</u>	<u>479,350</u>	<u>319,021</u>
				<u>160,329</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(56,725)	270,299	(394,350)	(210,944)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of equipment	8,000	-	8,000	14,689
Legal settlement	<u>(25,000)</u>	<u>(7,061)</u>	<u>(25,000)</u>	<u>(7,061)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(73,725)	263,238	(411,350)	(203,316)
FUND BALANCES AT BEGINNING OF YEAR	<u>2,193,946</u>	<u>2,193,946</u>	<u>1,961,690</u>	<u>1,961,690</u>
FUND BALANCES AT END OF YEAR	<u>\$2,120,221</u>	<u>\$2,457,184</u>	<u>\$1,550,340</u>	<u>\$1,758,374</u>
				<u>\$208,034</u>

The accompanying notes are an integral part of this statement.

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

GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget (GAAP Basis) and Actual  
For the Year Ended December 31, 1997

	GENERAL FUND		CAPITAL PROJECTS FUND		
	Budget	Actual	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES					
Ad valorem taxes	\$ 554,225	\$ 669,350	\$ -	\$ -	\$ -
State revenue sharing	90,000	97,974	-	-	-
Investment earnings	62,500	90,621	95,000	108,783	13,783
Other income	2,000	49	500	49	(451)
<b>TOTAL REVENUES</b>	<b>708,725</b>	<b>857,994</b>	<b>95,500</b>	<b>108,832</b>	<b>13,332</b>
EXPENDITURES					
Personal services	271,950	246,263	236,950	182,608	54,342
Contractual services	24,150	15,055	24,150	17,988	6,162
Materials and supplies	65,250	22,350	65,250	21,855	43,395
Statutory charges	23,465	25,108	-	-	-
Other charges	114,750	79,882	137,750	74,462	63,288
Capital outlay	57,300	34,005	57,300	34,005	23,295
Rehab projects	194,000	152,161	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>750,865</b>	<b>574,824</b>	<b>521,400</b>	<b>330,918</b>	<b>190,482</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(42,140)</b>	<b>283,170</b>	<b>(425,900)</b>	<b>(222,086)</b>	<b>203,814</b>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	5,277	5,277
Proceeds from sale of equipment	10,000	1,552	10,000	1,552	(8,448)
Legal settlement	(25,000)	(289)	-	(289)	(289)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>(57,140)</b>	<b>284,433</b>	<b>(415,900)</b>	<b>(215,546)</b>	<b>200,354</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>1,909,513</b>	<b>1,909,513</b>	<b>2,177,236</b>	<b>2,177,236</b>	<b>-</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$1,852,373</b>	<b>\$2,193,946</b>	<b>\$1,761,336</b>	<b>\$1,961,690</b>	<b>\$200,354</b>

The accompanying notes are an integral part of this statement.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
As of and for the Two Years Ended December 31, 1998

**INTRODUCTION**

The Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish (hereinafter referred to as the "Drainage District") was created by the Tangipahoa Parish Police Jury as authorized by Act 19 of the 1950 Second Extraordinary Session of the Louisiana Legislature, as amended by Act 384 of the 1981 Regular Session of the Louisiana Legislature. The Drainage District was created to open and maintain all natural drains in the district, where drainage is accomplished using the natural force of gravity. This may be accomplished by cutting and opening new drains, ditches, and canals. The Drainage District is governed by a board of commissioners consisting of nine members of the parish council who represent any portion of Wards 6, 7, or 8 of Tangipahoa Parish, which comprise the boundaries of the Drainage District. Prior to July 1, 1992, commissioners received no compensation for serving on the Drainage District board, as all members of the Drainage board also serve on the Tangipahoa Parish Council. Effective July 1, 1992, Act 181 of the 1992 Regular Session of the Legislature amended Act 19 to provide that the members of the board of the Consolidated Gravity Drainage District No. 1 shall be compensated as provided in R.S. 38:1794(B). Board members presently receive \$60 per meeting, not to exceed thirty-six meetings per year. At the present time, the Drainage District employs approximately thirty employees, including an administrator, office staff, and construction and maintenance employees. The Drainage District maintains an office and maintenance facility in Tickfaw, Louisiana. The Drainage District is presently responsible for maintaining approximately three hundred fifty miles of drainage canals within the district.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The accompanying financial statements of the Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**B. Reporting Entity**

The Drainage District is a component unit of the Tangipahoa Parish Council, the financial reporting entity, because the Drainage board members also serve on the Tangipahoa Parish Council.

The accompanying financial statements present information only on the funds maintained by the Drainage District and do not present information on the Tangipahoa Parish Council, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

**C. Fund Accounting**

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

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

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds of the Drainage District are classified as governmental funds. Governmental funds account for the Drainage District's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. Governmental funds of the Drainage District include:

1. General Fund

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

2. Capital Projects Fund

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

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by the governmental funds. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Ad valorem taxes and the related state revenue sharing are recorded in the year the taxes are assessed. Ad valorem taxes are assessed on a calendar year basis, become due on November 15 of each year, and become delinquent on December 31. The taxes are generally collected in December of the current year and January and February of the ensuing year.

Interest income represents amounts earned on checking accounts, money market accounts, LAMP account, and United States treasury bills and treasury notes. Interest earned on checking accounts, money market accounts, and LAMP accounts is recorded when received. Interest earned on United States treasury securities, discounted or non-discounted, is accrued as of the end of the accounting period.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for insurance which is recognized as an expenditure in the period in which the related coverage pertains.

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

Other Financing Sources (Uses)

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

E. Budgets

The Drainage District uses the following budget practices:

1. The Drainage District prepares budgets on the modified accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The Drainage District adopted budgets for the General Fund and Capital Projects Fund.
2. The Drainage District's administrator prepares the proposed budget and submits it to the board of commissioners no later than fifteen days prior to the beginning of each fiscal year. The proposed budgets for 1997 and 1998 were presented to the board of commissioners on November 20, 1996, and November 12, 1997, respectively.
3. The public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called. The proposed budgets for 1997 and 1998 were published in the official journal on November 24, 1996, and November 20, 1997, respectively.
4. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing. The public hearing on the proposed budgets for 1997 and 1998 were held on November 4, 1996, and December 3, 1997, respectively.
5. After the holding of the public hearing and completion of all action necessary to finalize and implement the budgets, the budgets are adopted. The proposed budgets for 1997 and 1998 were adopted on December 4, 1996, and December 3, 1997, respectively.
6. Budgetary amendments require the approval of the president and board of commissioners. The budget for 1998 was amended on June 3, 1998. There were no amendments to the 1997 budget.
7. All budgetary appropriations lapse at year-end.
8. Periodic budget comparisons are made as a part of interim reporting. Budgeted amounts included in the accompanying financial statements include the originally adopted budget amounts and all subsequent amendments legally adopted prior to year-end.

F. Encumbrances

The Drainage District does not utilize encumbrance accounting.

G. Cash and Investments

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Amounts in time deposits and those investments with original maturities of 90 days or less are considered to be cash equivalents. Under state law, the district may deposit funds in demand

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

deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the Drainage District may invest in United States bonds, treasury notes and bills, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at fair value based on the sales price at December 31, 1998.

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

H. Inventories

The Drainage District uses the purchase method for accounting for expendable supplies whereby expenditures are recognized when the items are purchased. The Drainage District did not record any inventory at December 31, 1998.

I. Prepaid Items

The Drainage District recorded prepaid insurance at December 31, 1998, which represents payment for a 1999 workers' compensation deposit premium. Prepaid insurance at year-end is equally offset by a fund balance reserve.

J. Fixed Assets

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

K. Compensated Absences

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

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

In addition, the Drainage District Board has instituted an extended sick leave compensation of a maximum of fifteen working days in any two year calendar period. This extended sick leave is

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

intended to provide for those medical and health conditions involving hospitalization and/or physician directed rehabilitation involving a catastrophic type illness/injury.

The cost of current leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current-year expenditure in the General Fund and Capital Projects Fund when leave is actually taken.

L. Fund Equity

Reserves

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

M. Total Columns On Statements

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

2. **LEVIED TAXES**

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

	1997 Authorized and Levied <u>Millage</u>	1998 Authorized and Levied <u>Millage</u>
General Fund	5.00	5.00

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Drainage District during the year and actually billed to taxpayers and become due in November. Billed taxes become delinquent on December 31 of each year. Revenues from ad valorem taxes are budgeted in the year billed and recognized as revenue when billed. The Tangipahoa Parish Sheriff's Office bills and collects the property taxes using the assessed value determined by the Tax Assessor of Tangipahoa Parish. The taxes are generally collected in December of the current year and January and February of the ensuing year. For 1997, the Drainage District levied 5.00 mills for a total tax levy of \$678,399 on taxable property valuation totaling \$135,673,746; for 1998, the Drainage District levied 5.00 mills for a total tax levy of \$692,183 on taxable property valuation totaling \$138,430,305.

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

**3. CASH AND CASH EQUIVALENTS**

At December 31, 1998, the Drainage District had cash and cash equivalents (book balances) totaling \$603,542, as follows:

Deposits (see <b>a</b> below)	
Interest-bearing demand deposits	\$125,301
Investments (see <b>b</b> below)	
Brokerage money market accounts	57,434
United States Treasury bills	198,113
Louisiana Asset Management Pool	<u>222,694</u>
Total	<u>\$603,542</u>

- a. These accounts are stated at cost, which approximates market. Under state law, the demand deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 1998, the Drainage District had \$129,010 in bank deposits (collected bank balances). These deposits are secured from risk by \$106,306 of federal deposit insurance and \$22,704 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

- b. The brokerage money market account and U. S. Treasury bills are considered to be investments (cash equivalents) and as such do not require additional pledged collateral. The investment in the Louisiana Asset Management Pool (LAMP) - an external investment pool - is stated at the value of the pool shares, which is the same as the fair value. LAMP is a cooperative endeavor of local government entities created at the initiative of the Louisiana State Treasurer's Office for those entities electing to pool funds for investment.

LAMP is designed to comply with the restrictions on investment by municipalities, parishes, and other types of political subdivisions imposed under La. R.S. 33:2955. The investment advisor is restricted to maintaining a dollar-weighted average portfolio maturity of not more than 90 days. Investments in LAMP are not "deposits" within the meaning of the Federal Deposit Insurance Act and such investments are not insured.

**4. INVESTMENTS**

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Drainage District or its agent in the Drainage District's name



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

2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Drainage District's name
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Drainage District's name.

Investments at December 31, 1998, consist of United States government securities; they are in the name of the Drainage District and are held in safekeeping at two financial institutions and two brokerage firms. Because the securities are in the name of the Drainage District and are held by the Drainage District or its agent, they are considered insured and registered, Category 1, in applying the credit risk of GASB Codification Section 150.164.

At December 31, 1998, the Drainage District had investments totaling \$3,006,703. These investments are reported at fair value.

5. **RECEIVABLES**

The following is a summary of receivables at December 31, 1998:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Ad valorem taxes	\$613,298	\$ -	\$613,298
State revenue sharing	52,358	-	52,358
Interest receivable	<u>19,804</u>	<u>9,375</u>	<u>29,179</u>
Total	685,460	9,375	694,835
Less allowance for uncollectible ad valorem taxes	<u>13,844</u>	<u>-</u>	<u>13,844</u>
Total	<u>\$671,616</u>	<u>\$9,375</u>	<u>\$680,991</u>

6. **CHANGES IN GENERAL FIXED ASSETS**

A summary of changes in general fixed assets for the two years ended December 31, 1998, follows:

	<u>Land and Buildings</u>	<u>Equipment</u>	<u>Total</u>
Balance at January 1, 1997	\$122,334	\$1,090,162	\$1,212,496
Additions - 1997	-	68,010	68,010
Additions - 1998	-	82,448	82,448
Disposals - 1997	-	(12,345)	(12,345)
Disposals - 1998	-	(31,146)	(31,146)
Prior year corrections	<u>-</u>	<u>(300)</u>	<u>(300)</u>
Balance at December 31, 1998	<u>\$122,334</u>	<u>\$1,196,829</u>	<u>\$1,319,163</u>

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

**7. PENSION PLAN**

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

All permanent employees working at least 28 hours per week who are paid wholly or in part from parish funds and all elected parish officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of creditable service. However, for those employees who were members of the supplemental plan only prior to January 1, 1980, the benefit is equal to one percent of final average salary plus \$24 for each year of supplemental-plan-only service earned prior to January 1, 1980. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, or by calling (225) 928-1361.

*Funding Policy.* Under Plan A, members are required by state statute to contribute 9.5 percent of their annual covered salary and the district is required to contribute at an actuarially determined rate. The current rate is 7.75 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Drainage District are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Drainage District's contributions to the System under Plan A for the years ending December 31, 1998, and 1997, were \$28,930 and \$30,495 respectively, equal to the required contributions for each year.

**8. OTHER POSTEMPLOYMENT BENEFITS**

The Drainage District has no other postemployment benefits.

**9. COMPENSATED ABSENCES**

At December 31, 1998, employees of the District have accumulated and vested \$13,230 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. Of this amount, \$7,208 is recorded as an obligation of the General Fund, and \$6,022 is recorded as an obligation of the Capital Projects Fund.

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

10. **LEASES**

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

11. **LITIGATION AND CLAIMS**

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District attempts to minimize risk from significant losses through the purchase of commercial insurance.

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

No accrual for gain or loss contingencies has been recorded in the financial statements for any of the legal actions and claims as responsibility has not been determined and the possible loss or range of loss for each legal action cannot be reasonably estimated.

Claims and litigation costs of \$24,356 and \$3,571 were incurred during the years ended December 31, 1998, and 1997, respectively.

12. **RESTATED FUND BALANCES**

The beginning fund balances of the General Fund and Capital Projects Fund have been restated to reflect the retroactive recording of the following prior period adjustments to the December 31, 1996, audited fund balances:

	<u>General Fund</u>	<u>Capital Projects Fund</u>
Audited Fund Balance at December 31, 1996	\$1,872,773	\$2,168,788
Unrecorded accrued interest receivable	4,453	14,375
Unrecorded change in fair value of investments	<u>32,287</u>	<u>(5,927)</u>
Fund Balance at December 31, 1996, as restated	<u>\$1,909,513</u>	<u>\$2,177,236</u>

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

SUPPLEMENTARY INFORMATION SCHEDULE  
 As of and for the Two Years Ended December 31, 1998

SCHEDULE OF COMPENSATION PAID BOARD MEMBERS

This schedule of compensation paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Effective July 1, 1992, Act 181 of the 1992 Regular Session of the Louisiana Legislature amended Act 19 to provide that board members shall be compensated as provided in R.S. 38.1794(B). At its regular meeting on July 1, 1992, the board adopted a resolution providing a per diem of not more than \$60 per meeting not to exceed thirty-six meetings per year effective July 1, 1992.

	<u>Year Ended</u>		<u>Year Ended</u>	
	<u>December 31, 1997</u>		<u>December 31, 1998</u>	
	<u>Meetings</u>	<u>Amount</u>	<u>Meetings</u>	<u>Amount</u>
	<u>Present</u>	<u>Paid</u>	<u>Present</u>	<u>Paid</u>
Ronnie Bankston	24	\$ 1,440	24	\$ 1,440
Carlo Bruno	26	1,560	23	1,380
Bobby Cortez	26	1,560	26	1,560
Debbie Edwards	19	1,140	24	1,440
William Fleet	26	1,560	25	1,500
George Holton	25	1,500	21	1,260
Pat Jarrell	24	1,440	25	1,500
Michael Petitto	15	900	9	540
H.G. Ridgel	27	<u>1,620</u>	25	<u>1,500</u>
TOTAL		<u>\$12,720</u>		<u>\$12,120</u>

CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 1  
OF TANGIPAOA PARISH  
(A Component Unit of the Tangipahoa Parish Council)  
Tickfaw, Louisiana

Year 2000 Supplementary Information  
(UNAUDITED)

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

Time and space saving programming decisions made in prior years resulted in two-digit computer codes that may not directly recognize "00" as the year 2000. Serious processing error or system failure could result. To prevent this error, computer systems and equipment must be re-programmed or replaced to make them year 2000 compliant.

The Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish is not significantly dependent on computerized systems for essential operations or to provide drainage services to citizens.

However, the District is in the process of testing its computer systems that may be affected by the year 2000 issue even though they are not necessary to conducting District operations. This testing is being done in-house, so no resources have been committed to it.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of any related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Consolidated Gravity Drainage District No.1 is or will be Year 2000 ready, that the Consolidated Gravity Drainage District No. 1 remediation efforts will be successful in whole or in part, or that parties with whom the Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish does business will be year 2000 ready.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL BASED ON AN AUDIT OF THE COMPONENT UNIT  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

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

I have audited the financial statements of the Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish, a component unit of the Tangipahoa Parish Council, as of and for the two years ended December 31, 1998, and have issued my report thereon dated June 1, 1999. I conducted my audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish's 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 two instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described below as Findings 98-1 and 98-2.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing my audit, I considered the Consolidated Gravity Drainage No. 1 of Tangipahoa Parish's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the component unit financial statements and not to provide assurance on the internal control over financial reporting. However, I noted one matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described below as Finding 98-1.

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 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 over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

However, I do not believe that the reportable condition described below is a material weakness.

COMPLIANCE AND INTERNAL CONTROL FINDINGS

Finding 98-1

EXPENDITURE OF RESTRICTED FUNDS

In 1976 a tax was passed and bonds issued by the Drainage District solely for the purpose of constructing gravity drainage works. The proceeds of the bonds were placed in a Capital Projects Fund and expenditures of the proceeds have been accounted for in that fund.

During many prior audits the District has not been able to substantiate that expenditures of the Capital Projects Fund have been incurred solely for construction as the tax election required. In a letter to the District dated June 2, 1989, Clifton Speed, Assistant District Attorney for the Twenty-First Judicial District, defined the term construction to be creating a canal or changing a canal in such a way that it exceeds the original specifications. "If the Drainage District is not digging a new canal, in order to qualify as construction, the project must widen, deepen, or otherwise change the nature of the original canal (concrete linings) in order to qualify as a construction project." Mr. Speed went on to say that "mere cleaning of the canal by removal of trees or silt does not qualify as construction".

Effective July 1998 the District began recording direct labor hours as either "construction" or "maintenance" and charging the resulting amount to the corresponding fund. A study of this allocation for six months resulted in a change of the overhead 50/50 allocation to a 70/30 allocation (General Fund 70%, Capital Projects Fund 30%). This change became effective January 1999.

However, there is still not enough documentation in the project file to substantiate classifying a project as "construction" and thus using construction funds to pay for it.

My previous recommendation was for the District to include in the project file a detailed description of the work to be performed (documentation from the engineer and others approving the project as construction, photographs, surveys, etc.) This has not yet been done.

RECOMMENDATION:

Projects funded by the Capital Projects Fund should contain documentation supporting their classification as construction rather than maintenance, i.e., a detailed description of the work to be performed, documentation from the engineer and others approving the project as construction including photographs, surveys, etc.

Finding 98-2

STATE BID LAW

When purchasing an excavator in 1998, the District subtracted a five-year buyback amount from the bid price to arrive at the lowest bid price. The District requires each bidder to sign a guaranteed repurchase agreement in order for its bid to be considered. The District also applies a 5%, five-year interest factor to each bidder's purchase price in the calculation of the lowest bid.

The inclusion of an interest factor and a guaranteed repurchase agreement does not appear to assure compliance with state bid law. The guaranteed repurchase agreement still contains conditional requirements (i.e., that the hydraulic components of the unit be in "good working order"). The use of an interest factor can be manipulated by a knowledgeable vendor, who can inflate the selling price and the buyback amount and still be the lowest bidder.

In addition, there is no guarantee that the District will in fact exercise the buyback option, or that the vendor will be in business in five years to grant the buyback.

RECOMMENDATION

I continue to recommend that the District discontinue the use of the buyback amount in the calculation of a bid price.

If the intention of the District is to acquire, at the lowest cost, a piece of equipment for only five years, the District could obtain bids on a five-year lease, rather than a purchase, with an unconditional return of the equipment at the end of the lease term.

If the District continues to use a buyback amount in the calculation of a bid award, the buyback should be mandatory and unconditional. In addition, the District should obtain a written opinion from the Attorney General outlining specific conditions that must be met.

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



Certified Public Accountant

June 1, 1999



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

SCHEDULE OF PRIOR YEAR FINDINGS  
For the Two Years Ended December 31, 1998

<b>Section 1 Internal Control and Compliance Material to the Financial Statements</b>	
1996-1 (Capital Projects Fund Budget) Budget and account for expenditures on a project basis.	Partially Resolved - see current year Finding 1998-1
1996-2 (Expenditure of Restricted Funds) Substantiate classification of construction projects.	Partially Resolved - see current year Finding 1998-1
1996-3 (Compliance with State Bid Law) Public works exceeding \$100,000 should be bid.	Resolved
1996-4 (Compliance with FIRREA) Obtain a security agreement with Deposit Guaranty.	Resolved
<b>Section 2 Management Letter</b>	
1996-5 (Accounting Records) 1) Obtain monthly supporting journals, 2) Add a statement of assets and liabilities - cash basis - as part of monthly compiled financial statement, 3) Provide QTD and YTD totals on payroll register.	1) Resolved 2) Management Disagreement  3) Resolved
1996-6 (Personnel Records) Employers must complete a Form I-9	Resolved
1996-7 (Budget Preparation) Adopt budgets by resolution rather than motion.	Resolved
1996-8 (State Bid Law) 1) Do not utilize buyback amount to arrive at lowest bid price, 2) Obtain fax quotes for expenditures in excess of \$7,500, 3) Compare price bid to actual price charged (fuel) and, 4) Retain all bid documents.	1) Unresolved - see current year Finding 1998-2 2) Resolved 3) Resolved 4) Resolved
1996-9 (Cash Investments) Funds invested in a Centennial Money Market Trust account are in violation of state law.	Resolved

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

MANAGEMENT'S CORRECTIVE ACTION PLAN  
 For the Two Years Ended December 31, 1998

<b>Section 1 Internal Control and Compliance Material To The Financial Statement</b>	
1998-1 (Expenditure of Restricted Funds) Substantiate classification of construction projects	The Drainage District shall take steps to improve the documentation contained in project files to fully support an assigned construction or maintenance classification.
1998-2 (State Bid Law) Use of buyback deducted from bid price	The Drainage District will request an Attorney General's opinion to clarify if the use of a "guaranteed" buyback amount in the calculation of a bid price is a violation of the state bid law. Until this matter is resolved, the Drainage District will not use a buyback amount in the calculation of any bid price.