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GRAVITY DRAINAGE DISTRICT NO. 5
OF LIVINGSTON PARISH
REPORT ON AUDIT OF
COMPONENT UNIT FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1995

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 7-24-96

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April 29, 1996

Independent Auditor's Report

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

We have audited the accompanying component unit only financial statements of the Gravity Drainage District No. 5 of Livingston Parish, Louisiana, a component unit of the Livingston Parish Police Jury, as of and for the year ended December 31, 1995, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made

Gravity Drainage District No. 5 of
Livingston Parish

by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to in paragraph one present fairly the financial position of the Gravity Drainage District No. 5 of Livingston Parish, Louisiana, as of December 31, 1995, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated April 29, 1996, on our consideration of Gravity Drainage District No. 5 of Livingston Parish's internal control structure and a report dated April 29, 1996, on its compliance with laws and regulations.

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

Respectfully submitted,

Harris J. Bourgeois & Co., L.L.P.

COMPONENT UNIT FINANCIAL STATEMENTS
(COMBINED STATEMENTS - OVERVIEW)

TOTAL (MEMORANDUM ONLY)	
<u>1995</u>	<u>1994</u>
\$165,400	\$117,709
50,930	49,020
19,881	18,389
3,116	3,116
34,474	34,474
227,551	149,013
240	240
<u>63,923</u>	<u>-</u>
<u>\$565,515</u>	<u>\$371,961</u>
\$ 2,383	\$ 3,100
556	606
319	319
<u>63,923</u>	<u>-</u>
\$ 67,181	\$ 4,025
\$262,265	\$183,727
<u>236,069</u>	<u>184,209</u>
<u>\$498,334</u>	<u>\$367,936</u>
<u>\$565,515</u>	<u>\$371,961</u>

Gravity Drainage District No. 5 of
Livingston Parish

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND TYPE - GENERAL FUND

For the Year Ended December 31, 1995
With Comparative Amounts For The Year Ended December 31, 1994

	<u>1995</u>	<u>1994</u>
Revenues:		
Taxes, Net of Refunds	\$264,920	\$230,843
Interest	<u>4,232</u>	<u>2,688</u>
Total Revenues	\$269,152	\$233,531
Expenditures:		
Current:		
General Government:		
Salaries and Wages	\$110,114	\$ 99,336
Board Member Per Diem	2,650	2,550
Payroll Tax Expense	8,600	7,834
Collection Costs	5,306	4,617
Fuel Expense	3,244	3,368
Insurance	25,510	18,371
Maintenance Supplies and Repairs	28,475	31,982
Miscellaneous	142	42
Office Expense	316	525
Professional Fees	9,642	2,886
Rent - Equipment	1,837	-
Utilities	1,732	1,724
Capital Outlay	78,538	3,914
Debt Service:		
Principal Retirement	13,581	-
Interest	<u>5,109</u>	<u>-</u>
Total Expenditures	\$294,796	\$177,149
Excess (Deficiency) of Revenues over Expenditures	\$ (25,644)	\$ 56,382
Other Financial Sources:		
Proceeds from Issuance of Debt	<u>\$ 77,504</u>	<u>\$ -</u>
Total Other Financing Sources	\$ 77,504	\$ -
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ 51,860	\$ 56,382
Fund Balance - Beginning of Year	<u>184,209</u>	<u>127,827</u>
Fund Balance - End of Year	<u>\$236,069</u>	<u>\$184,209</u>

The accompanying notes constitute an integral part of this statement.

Gravity Drainage District No. 5 of
Livingston Parish

NOTES TO THE FINANCIAL STATEMENTS

December 31, 1995

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Financial Reporting Entity

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

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

B. Fund Accounting

The accounts of the Gravity Drainage District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each

Gravity Drainage District No. 5 of
Livingston Parish

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 1995

fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, as appropriate.

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

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

C. Fixed Assets and Long-Term Liabilities

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

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

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

D. Basis of Accounting

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

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts, and sales

Gravity Drainage District No. 5 of
Livingston Parish

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 1995

J. Compensated Absences

The District has the following policy relating to vacation leave:

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

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

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

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

K. Sales Taxes

In May 1985, the voters passed a sales tax in which the District receives $\frac{1}{2}$ of 1% upon the sale at retail, the use, the lease or rental, the consumption, and storage for use or consumption, of tangible personal property and on the sales of services in the District, as defined in L.R.S. 47:301 through 47:317, inclusive, for a period of 10 years from the date of first levy of said tax. In 1995, the District went before the voters and received a 10-year renewal of said tax to September, 2005.

L. Total Column on Statements - Overview

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

Gravity Drainage District No. 5 of
Livingston Parish

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 1995

(2) CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>BUILDING</u>	<u>FURNITURE AND FIXTURES</u>	<u>MACHINERY AND EQUIPMENT</u>	<u>TOTAL</u>
Balance - December 31, 1994	\$ 34,474	\$ 240	\$149,013	\$183,727
Additions	-	-	78,538	78,538
Reductions	-	-	-	-
Balance - December 31, 1995	<u>\$ 34,474</u>	<u>\$ 240</u>	<u>\$227,551</u>	<u>\$262,265</u>

(3) CASH AND INVESTMENTS

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

As confirmed by the fiscal agent, the District had cash and investments totaling \$228,742 and a carrying value of \$216,330 at December 31, 1995. Cash and investments are stated at cost, which approximates market. These deposits must be secured under state law by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. These pledged securities are to be held in the name of the pledging bank in a custodial bank that is mutually acceptable to the parties involved. The following is a summary of cash and investments at December 31, 1995, with the related federal deposit insurance and pledged securities, if any:

Gravity Drainage District No. 5 of
Livingston Parish

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 1995

	CONFIRMED BANK BALANCE <u>DECEMBER 31, 1995</u>	FDIC INSURANCE	BALANCE UNINSURED
Cash and Cash Equivalents	\$177,812	\$131,212	\$ 46,600
Investments - Time Certificate of Deposit (Maturity Greater Than 90 Days)	<u>50,930</u>	<u>50,930</u>	<u>-</u>
Total	<u>\$228,742</u>	<u>\$182,142</u>	<u>\$ 46,600</u>

The bank balance which is considered uninsured at December 31, 1995, is collateralized by pledged securities with an estimated market value of approximately \$200,000.

(4) RECEIVABLES

A summary of receivables as of December 31, 1995, follows:

<u>CLASS OF RECEIVABLE</u>	<u>GENERAL</u>
Taxes - Sales Tax	\$ 18,875
Interest - Accrued Interest	<u>1,006</u>
	<u>\$ 19,881</u>

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

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

(5) PENSION PLAN AND RETIREMENT COMMITMENTS

The District does not have a pension plan.

(6) POST-RETIREMENT BENEFITS

The District does not offer any post-retirement benefits.

(7) LEASES

A. Operating Lease

The District has an operating lease of the following nature:

The District is committed under a lease for land for which a shop is constructed. Lease expenditures for the year ended December 31, 1995 amounted to \$1. The following is a list of the leases:

<u>FACILITY</u>	<u>TERM OF LEASE</u>	<u>EXPIRATION DATE</u>	<u>PAYMENT</u>
Shop Building - Land	10	10-31-97	\$ -1-

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

1996	\$ 1
1997	\$ 1

B. Obligation Under Capital Lease

The District has an Obligation Under a Capital Lease of the following nature:

Deere Credit, Inc.:

1995 lease agreement for financing the acquisition of a John Deere 550G Crawler Dozer with John Deere 4000 Winch. This lease includes a non-appropriation of funds clause but is in substance a capital lease and therefore has been recorded at the present value of the future minimum lease payments as of the date of inception in the General Long-Term Debt Account Group.

\$63,923

The following is a summary of future minimum lease payments under the capital lease and present value of the net minimum lease payments as of December 31, 1995.

<u>YEAR ENDED DECEMBER 31,</u>	<u>TOTAL PAYMENTS</u>
1996	\$ 18,690
1997	18,691
1998	18,690
1999	<u>18,691</u>
Total Minimum Lease Payments	\$ 74,762
Less: Amount Representing Interest	<u>(10,839)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 63,923</u>

Gravity Drainage District No. 5 of
Livingston Parish

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 1995

(8) LITIGATION

At December 31, 1995 there is no litigation pending against the Gravity Drainage District.

The litigation pending at December 31, 1994, was settled during 1995, without any monetary damages being awarded to the plaintiff.

(9) SUBSEQUENT EVENT

On April 16, 1996, the District approved the lease-purchase of a John Deere 690 ELC Excavator in the amount of \$124,732. The lease payments spread over 60 months are to be paid from future sales tax revenues received by the District.

SUPPLEMENTAL INFORMATION

Gravity Drainage District No. 5 of
Livingston Parish

SCHEDULE OF PER DIEM PAID BOARD MEMBERS

For the Year Ended December 31, 1995

Collins, Stanley	\$ 500
Dugas, Paul	550
Hall, Lester	500
Harris, Richard	550
Townsend, Don (Chairman)	<u>550</u>
	\$ 2,650
	<u> </u>

See auditor's report.

INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL STRUCTURE RELATED
MATTERS NOTED IN A FINANCIAL STATEMENT
AUDIT CONDUCTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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April 29, 1996

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

We have audited the component unit financial statements of the Gravity Drainage District No. 5 of Livingston Parish, Louisiana, for the year ended December 31, 1995, and have issued our report thereon dated April 29, 1996.

We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the District is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with

Gravity Drainage District No. 5 of
Livingston Parish

management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the component unit financial statements of the Gravity Drainage District No. 5 of Livingston Parish, Louisiana, for the year ended December 31, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the internal control structure that, in our judgement, could adversely affect the entity's

Gravity Drainage District No. 5 of
Livingston Parish

ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

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

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

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

Respectfully submitted,

Harris J. Bourgeois & Co., L.L.P.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
LAWS AND REGULATIONS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS ISSUED BY THE GAO

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April 29, 1996

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

We have audited the component unit financial statements of the Gravity Drainage District No. 5 of Livingston Parish, Louisiana, for the year ended December 31, 1995, and have issued our report thereon dated April 29, 1996.

We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the District is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Districts compliance with certain provisions of laws, regulations, contracts, and grants. However, it should be noted that our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Gravity Drainage District No. 5 of
Livingston Parish

The results of our tests disclosed the following instances of noncompliance that are required to be reported herein under Government Auditing Standards for which the ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in the Gravity Drainage District's 1995 financial statements.

Budgeting:

Finding:

Pursuant to the provisions of the Louisiana Local Government Budget Act the Gravity Drainage District was required to prepare an operating budget for the year 1995. The District failed to prepare the required 1995 Budget.

Recommendation:

We recommend that the District prepare annual budgets in accordance with the provisions of LA.R.S. 39:1301. In addition, we recommend that whenever proposed expenditures exceed \$250,000 that the District advertise and hold a public hearing prior to the adoption of the proposed budget. Finally, we recommend that whenever actual expenditures are estimated to exceed budgeted expenditures by greater than 5%, a formal budget amendment be adopted by the Board.

Corrective Action Taken:

The Board formally adopted a 1996 Operating Budget of \$231,130 on April 16, 1996.

Gravity Drainage District No. 5 of
Livingston Parish

Advertising for Bids:

Finding:

During our audit work on compliance with bid laws, it was noted that the District entered into a lease to acquire a John Deere 550G Crawler Dozer. Although the lease agreement contains a non-appropriation of funds clause, in substance the lease is considered a financing lease for the purchase of the said equipment for a price of \$77,504. Pursuant to the provisions of the Public Bid Laws the District is required to advertise for bids for the purchase of said equipment. The District failed to advertise for bids and accepted a proposal submitted by a single vendor of said equipment.

Recommendation:

We recommend that the Distract follow the Public Bid Laws and that anytime there is a purchase of materials and/or labor greater than \$10,000 the District must advertise for bids.

Corrective Action Taken:

In 1996, the Board advertised for bids and accepted the low bid for the purchase of a John Deere 690 ELC Excavator in the amount of \$124,732.

We considered these instances of noncompliance in forming our opinion on whether the Gravity Drainage District No. 5 of Livingston Parish's 1995 Component Unit Financial Statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and the report does not affect our report dated April 29, 1996, on those component unit financial statements.

Gravity Drainage District No. 5 of
Livingston Parish

This report is intended solely for the use of management and the Office of Legislative Auditor, State of Louisiana, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Gravity Drainage District No. 5 of Livingston Parish is a matter of public record.

Respectfully submitted,

Harris J. Bourgeois & Co., L.L.P.