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**Financial Report**

**Gravity Drainage District No. 1  
Livingston Parish, Louisiana**

**A Component Unit of the Livingston Parish Council**

**December 31, 1999**

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Release Date JUL 19 2000

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Livingston Parish, Louisiana  
A Component Unit of the Livingston Parish Council

December 31, 1999

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## 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, 1999, 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 the 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, 1999, 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 2) dated May 2, 2000, on my consideration of Gravity Drainage District No. 1's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

*Neil G. Ferrari, CPA*

Baton Rouge, Louisiana,  
May 2, 2000.

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## REPORT ON COMPLIANCE AND ON 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, 1999, and have issued my report thereon dated May 2, 2000. 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.

### 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 amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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 solely for the information and use of management, the Livingston Parish Council, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

*Neil B. Ferrari, CPA*

Baton Rouge, Louisiana  
May 2, 2000.

**GENERAL PURPOSE FINANCIAL STATEMENTS**

**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS**

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

December 31, 1999

	Governmental Fund Types		Account Groups		Total (Memorandum Only)
	General Fund	Debt Service Fund	General Fixed Assets	General Long-Term Debt	
<b>ASSETS AND OTHER DEBITS</b>					
Assets:					
Cash	\$ 86,538	\$ 3,777	\$ 0	\$ 0	\$ 90,315
Investments	689,010	93,128	0	0	782,138
Revenues receivable:					
Ad valorem tax	118,566	0	0	0	118,566
Sales tax	23,100	0	0	0	23,100
Revenue sharing	9,327	0	0	0	9,327
Deposits	1,152	0	0	0	1,152
Building, equipment & vehicles	0	0	622,972	0	622,972
Other debits:					
Amount available in Debt Service Fund	0	0	0	80,000	80,000
<b>Total assets and other debits</b>	<b>\$ 927,693</b>	<b>\$ 96,905</b>	<b>\$ 622,972</b>	<b>\$ 80,000</b>	<b>\$ 1,727,570</b>
<b>LIABILITIES, FUND EQUITY, AND OTHER CREDITS</b>					
Liabilities:					
Accounts payable	\$ 5,592	\$ 0	\$ 0	\$ 0	\$ 5,592
Bonds payable	0	0	0	80,000	80,000
<b>Total liabilities</b>	<b>5,592</b>	<b>0</b>	<b>0</b>	<b>80,000</b>	<b>85,592</b>
Equity and Other Credits:					
Investment in general fixed assets	0	0	622,972	0	622,972
Fund balances:					
Reserved for debt service	0	96,905	0	0	96,905
Designated for Gray's Creek Diversion Project	116,010	0	0	0	116,010
Unreserved/undesignated	806,091	0	0	0	806,091
<b>Total equity and other credits</b>	<b>922,101</b>	<b>96,905</b>	<b>622,972</b>	<b>0</b>	<b>1,641,978</b>
<b>Total liabilities, equity and other credits</b>	<b>\$ 927,693</b>	<b>\$ 96,905</b>	<b>\$ 622,972</b>	<b>\$ 80,000</b>	<b>\$ 1,727,570</b>

The accompanying notes are an integral part of this statement.

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES**

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

Denham Springs , Louisiana

For the Year Ended Decmeber 31, 1999

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total (Memorandum Only)</u>
<b>REVENUES</b>			
Taxes:			
Sales	\$ 308,701	\$ 0	\$ 308,701
Ad valorem	141,901	64	141,965
Interest on ad valorem taxes	966	19	985
Intergovernmental:			
State of Louisiana revenue sharing	27,857	0	27,857
Investment income	23,887	5,363	29,250
<b>Total revenues</b>	<u>503,312</u>	<u>5,446</u>	<u>508,758</u>
<b>EXPENDITURES</b>			
Current:			
Salaries	140,968	0	140,968
Professional services	48,077	0	48,077
Insurance	37,520	0	37,520
Employee benefits	25,669	0	25,669
Truck operations and maintenance	13,725	0	13,725
Payroll taxes	11,221	0	11,221
Materials and supplies	10,116	0	10,116
Sales tax collection fees	6,224	0	6,224
Contribution to pension plan for parochial employees	6,043	0	6,043
Office expense	5,607	0	5,607
Commissioners per diem	4,200	0	4,200
Uniforms	2,158	0	2,158
Other	78	2,763	2,841
Debt service:			
Principal retirement	9,093	40,000	49,093
Interest	323	5,900	6,223
Capital outlay	12,041	0	12,041
<b>Total expenditures</b>	<u>333,063</u>	<u>48,663</u>	<u>381,726</u>
<b>Excess of revenues over (under) expenditures</b>	<u>170,249</u>	<u>(43,217)</u>	<u>127,032</u>
<b>Fund balances at beginning of year</b>	<u>751,852</u>	<u>140,122</u>	<u>891,974</u>
<b>Fund balances at end of year</b>	<u>\$ 922,101</u>	<u>\$ 96,905</u>	<u>\$ 1,019,006</u>

The accompanying notes are an integral part of this statement.



**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND**

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

For the Year Ended December 31, 1999

	Revised Budget	Actual	Variance- Favorable (Unfavorable)
<b>REVENUES</b>			
Taxes:			
Sales	\$ 305,000	\$ 308,701	\$ 3,701
Ad valorem	153,000	141,901	(11,099)
Interest on ad valorem taxes:	1,400	966	(434)
Intergovernmental:			
State of Louisiana revenue sharing	27,600	27,857	257
Investment income	26,000	23,887	(2,113)
	513,000	503,312	(9,688)
<b>EXPENDITURES</b>			
Current:			
Salaries	140,000	140,968	(968)
Professional services	54,300	48,077	6,223
Insurance	40,000	37,520	2,480
Employee benefits	26,000	25,669	331
Truck operations and maintenance	16,000	13,725	2,275
Payroll taxes	11,000	11,221	(221)
Materials and supplies	10,800	10,116	684
Sales tax collection fees	6,000	6,224	(224)
Contributions to pension plan for parochial employees	6,000	6,043	(43)
Office expense	5,500	5,607	(107)
Commissioners per diem	3,600	4,200	(600)
Uniforms	3,000	2,158	842
Other	500	78	422
Debt service:			
Principal retirement	9,093	9,093	0
Interest	307	323	(16)
Capital outlay	100,000	12,041	87,959
	432,100	333,063	99,037
Excess of revenues over expenditures	80,900	170,249	<u>\$ 89,349</u>
Fund balance at beginning of year	751,852	751,852	
Fund balance at end of year	\$ 832,752	\$ 922,101	

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, 1999

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization and Nature of Operations:

Gravity Drainage District No. 1 of Livingston Parish, Louisiana ("District") was created November 22, 1969, by the Livingston Parish Council, as provided by Louisiana Revised Statute 38:1751. The District is governed by a board of five commissioners who are appointed by the Livingston Parish Council. There were 10 people employed by the District in 1999, 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:

The Livingston Parish Council is the financial reporting entity for Livingston Parish, Louisiana. The Livingston Parish Council appoints a voting majority of the District's governing body and can impose its will on the District. Accordingly, the District has been determined to be a component unit of the Livingston Parish Council. 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 for Livingston Parish, Louisiana.

The District has no entities or organizations which are required to be included in its financial report as component units as defined by Governmental Accounting Standards Board Statement 14.

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

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 24:514, 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 and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid for through other funds are paid from the General Fund.

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

Governmental Fund Types - (continued)

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".

General Fixed Assets:

The fixed assets used in governmental fund type operations of Gravity 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 also accounted for in the Debt Service Fund.

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

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 (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financial uses) 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, expenditures, and transfers.

Revenue Recognition

Under the modified accrual basis of accounting, 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).

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 taxable property on the tax roll as of January 1, 1999, was \$38,137,360. The tax rates assessed for 1999 to finance General Fund operations was \$.50 per \$100 of property valuation. There was no assessment for the payment of principal and interest on the public improvement bonds because sufficient funds have already been collected to pay these debts as they mature.

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

f. Basis of Accounting: - (continued)

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. Ad valorem taxes are recognized as revenue in the current year if collected within sixty days after the end of the year.

◆ State revenue sharing, which is based on population and homesteads in Livingston Parish for the Gravity Drainage District No. 1, was \$27,795 for calendar year 1998 and \$27,981 for calendar year 1999. Although these amounts are measurable at the end of the year for which they are calculated, they are not considered available unless payments are received by the District within 60 days after the end of the year. \$9,265 of the 1998 revenue sharing was recognized as revenue in 1998 because it was received within 60 days after the end of the year and the remaining \$18,530 was recognized as revenue in 1999. \$9,327 of the 1999 revenue sharing was also recognized as revenue in 1999 because it was received within 60 days after the end of the year.

◆ Investment income is composed of interest income, realized gains and losses on the sale of investments, and changes in the fair value of investments. Interest income is recorded when it is both measurable and available. Realized gains and losses on the sale of investments are recorded at the time of sale. Changes in the fair value of investments are recorded based on the current share price of the open-end mutual fund and on the current market price of the U.S. Treasury bonds.

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

f. Basis of Accounting: - (continued)

- ◆ 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 1998 that were remitted to the Gravity Drainage District No. 1 in January or February, 1999 are included in 1998 revenue, and sales tax revenues for 1999 that were remitted to the District in January or February, 2000 are included in 1999 revenue.

Expenditures

Expenditures, other than principal and interest on long-term debt, 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).

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

- ◆ Before the second Tuesday of November, the District prepares a budget for the next fiscal year which begins January 1. The operating budget includes proposed expenditures and the means of financing them.

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

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

- ◆ The board members discuss the proposed budget at the regular meeting of the Board of Commissioners on the second Tuesday of November and set the date for the special public hearing on the proposed budget.
- ◆ The public hearing to review and discuss the budget is held immediately before the regular meeting of the Board of Commissioners on the second Tuesday in December. The public hearing for the District's 1999 budget was held on December 8, 1998. The public hearing for the District's 2000 budget was held December 14, 1999.
- ◆ During its regular meeting that follows 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 1999. The amendment was approved at a regular meeting of the District's Board of Commissioners on December 14, 1999. All budget appropriations lapse at year end.

h. Prepaid Items:

Prepaid items are accounted for as expenditures in the period when the money is disbursed.



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

i. General Fixed Assets and Depreciation:

General fixed assets include any land, buildings, equipment, and vehicles owned by the District. All fixed assets are valued at historical cost or estimated historical cost, if historical cost is not available. No costs have been estimated because historical cost information was available for all fixed assets. In cases where 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 assets in the General Fixed Assets Account Group.

It is the District's policy to capitalize purchases of moveable property costing at least \$250 and purchases of real property and improvements costing at least \$1,500. Purchases of moveable property costing less than \$250 may also be capitalized for internal control purposes.

j. Infrastructure:

Gravity Drainage District No. 1 has elected to not capitalize infrastructure. Infrastructure, or public domain general fixed assets, are immovable assets generally of value only to the state or local government. Drainage systems are considered infrastructure. Therefore, new drainage systems and major improvements to existing systems, including related permit applications and environmental impact mitigation fees, are recorded as capital outlays of the General Fund but are not included in the General Fixed Asset account group.

k. Vacation and Sick Leave:

All permanent full-time employees earn from 10 to 20 days of vacation leave each year on their anniversary date depending upon the number of years employed. All permanent full-time employees earn from 5 to 45 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

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

k. Vacation and Sick Leave:- (continued)

not a significant amount. 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 when the leave is actually used.

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 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:

The total columns in the General Purpose Financial 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. Interfund eliminations have not been made in the aggregation of this data.

Note 2 - CASH

At December 31, 1999, the District has unrestricted cash totaling \$90,315, as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>
Petty cash	\$ 100	\$ -	\$ 100
Interest bearing demand deposits at Hancock Bank	<u>86,438</u>	<u>3,777</u>	<u>90,215</u>
Totals	\$86,538 =====	\$ 3,777 =====	\$90,315 =====

Cash is stated at cost, which is equal to market. The interest bearing demand deposits at Hancock Bank are represented by 2 accounts which, when combined as of December 31, 1999, had collected bank balances of \$96,985. 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.

Petty cash of \$100 is unsecured.

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.

Note 3 - INVESTMENTS - (continued)

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.
9. Any other investment allowed by state statute for local governments.
10. Louisiana Asset Management Pool (LAMP).

Investments at December 31, 1999 consisted of the following:

	<u>Reported</u> <u>Amounts</u>	<u>Maturity</u>	<u>Interest</u> <u>Rate</u>
General Fund:			
Certificates of deposit:			
Hibernia National Bank	\$150,000	03/20/00	5.11%
Hibernia National Bank	116,010	03/06/00	5.43%
Hibernia National Bank	101,143	01/05/00	4.72%
Hibernia National Bank	91,981	06/12/00	5.75%
Hibernia National Bank	84,928	03/27/00	5.46%
Mutual Funds:			
Daily Passport Cash Trust	1,065	Demand	4.66%
Putnam U.S. Govt. Income Trust	69,056	Demand	Various
U.S. Treasury Bonds	<u>74,827</u>	08/15/02	4.77%
Total General Fund	<u>689,010</u>		
Debt Service Fund:			
Certificate of deposit:			
Hibernia National Bank	<u>93,128</u>	01/17/00	4.67%
Total Debt Service Fund	<u>93,128</u>		
Total all funds	\$782,138 =====		

The fair values of the District's investments do not materially differ from their reported amounts.

Unnder state law, bank deposits must be secured by federal deposit insurance or the pledge of securities which are 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 bank. The pledged securities are to be held in the name of the pledging fiscal agent bank at a holding or custodial bank that is mutually acceptable to both parties.

Note 3 - INVESTMENTS - (continued)

At December 31, 1999, the District had invested \$637,190 in certificates of deposit, all at Hibernia National Bank. These certificates of deposit represent nonparticipating interest-earning investment contracts as described in GASB 31. Accordingly, they have been reported at cost in these financial statements. The certificates of deposit are secured from risk by \$100,000 of federal deposit insurance (Category 1). The remaining \$537,190 is secured by securities with a fair market value of \$6,000,409 which have been pledged by Hibernia National Bank. GASB Statement 3 categorizes the \$537,190 as uncollateralized risk (Category 3) because the securities are not in the District's name even though the securities were being held by a custodial bank on behalf of Hibernia National Bank. Although \$537,190 of bank balances are considered uncollateralized (Category 3), Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank (entity holding the pledged securities) to advertise and sell the pledged securities within 10 days of being notified by the District that the District's bank has failed to pay deposited funds upon demand.

The \$1,065 held in the Edward D. Jones "Daily Passport Cash Trust" money market mutual fund account is protected up to \$500,000 by the Securities Investor Protection Corporation, a non-profit corporation created by Congress that receives revenues from the broker-dealers who are required by law to be SIPC members. SIPC provides protection in the event that Edward D. Jones fails financially and is unable to meet its obligations to its customers. SIPC protection does not cover any decreases in the net asset value of the shares of the money market mutual fund produced by market fluctuations. Accordingly, the District is at risk for any amounts held in the money market mutual fund. As of December 31, 1999, the Daily Passport Cash Trust's portfolio included about 57.49% of securities which were direct U.S. Treasury obligations and obligations of other U.S. Government agencies.

The Putnam U.S. Government Income Trust mutual fund 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, \$3,901 of dividends earned were reinvested to buy more shares of the fund.

Note 3 - INVESTMENTS - (continued)

The District's mutual fund investments have 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.

U.S. Treasury bonds were purchased on May 13, 1999 for \$75,513. These bonds do not pay periodic interest but are redeemable for their face value of \$88,000 on August 15, 2000.

The fair values of the Putnam U.S. Government Income Trust mutual fund and the U.S. Treasury bonds decreased by \$5,005 during 1999. This decrease is recorded as a reduction in investment income in the current year.

Note 4 - RECEIVABLES

The following is a summary of receivables at December 31, 1999:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>
Ad valorem taxes	\$118,566	\$ -	\$118,566
Sales tax	23,100	-	23,100
Revenue sharing	<u>9,327</u>	<u>-</u>	<u>9,327</u>
Total receivables	\$150,993 =====	\$ - =====	\$150,993 =====

The receivable for ad valorem taxes consists of actual collections of 1999 and prior year taxes that have been remitted to the District by the Livingston Parish Sheriff and Tax Collector through the end of February, 2000. The receivable for sales tax consists of taxes for December, 1999 remitted by the Livingston Parish School Board in January, 2000. The receivable for revenue sharing is the first one-third of 1999 revenue sharing, which was remitted by the Livingston Parish Sheriff and Tax Collector in January, 2000.

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 <u>01-01-98</u>	Additions	Adjustments And <u>Deletions</u>	Balance <u>12-31-99</u>
Equipment	\$319,174	\$ 8,470	\$ 41,691*	\$369,335
Vehicles	119,966	-	(13,709)	106,257
Building	76,714	2,835	-	79,549
Land	60,000	-	-	60,000
Furniture & Fixtures	7,739	736	(644)	7,831
Property leased under capital lease:				
Equipment	<u>43,441</u>	<u>-</u>	<u>(43,441)*</u>	<u>-</u>
	\$627,034	\$ 12,041	\$(16,103)	\$622,972
	=====	=====	=====	=====

\* The capital lease obligation was paid in full in 1999. Therefore, the equipment was reclassified from leased property to equipment.

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. The current rate of contributions is 7.65% of an employee's gross pay until the employee's annual gross pay equals \$72,600. The rate is reduced to 1.45% of an employee's gross pay for amounts which exceed \$72,600. Gravity Drainage District No. 1 does not guarantee any of the benefits granted by the Federal Social Security Program.

On January 1, 1996, Gravity Drainage District No. 1 adopted the Putnam Prototype Simplified Employee Pension Plan (SEP) for its employees. Under this defined contribution plan, individual retirement accounts with Putnam 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

Note 6 - RETIREMENT PLANS- (continued)

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 9.0% of eligible wages (\$113,767) for 1999. Accordingly, \$10,239 was contributed by the District for the eligible employees in 1999. Total gross payroll for all employees, including commissioner per diems, for the year was \$145,168. 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 15% of each eligible employee's compensation, excluding compensation in excess of \$160,000, or \$30,000. 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 SEP.

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 1999, \$6,043 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, 1999:

<u>Description Of Debt</u>	<u>Balance 01-01-98</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12-31-99</u>
Public improvement bonds	\$120,000	\$ -	\$(40,000)	\$ 80,000
Capital lease obligation	<u>9,093</u>	<u>-</u>	<u>(9,093)</u>	<u>-</u>
Total	\$129,093 =====	\$ - =====	\$(49,093) =====	\$ 80,000 =====

The long-term debt outstanding at December 31, 1999, consists of the unpaid principal of public improvement bonds which were originally issued for \$700,000 on March 1, 1971. The bonds mature from 2000 to 2001 at an interest rate of 5.9 percent per annum. At December 31, 1999, there were outstanding interest payments totaling \$4,720. 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:

<u>Maturity</u>	<u>Bond Number</u>	<u>Rate</u>	<u>Yearly Payments</u>		<u>Total</u>	<u>Bonds Outstanding</u>
			<u>Principal</u>	<u>Interest</u>		
2000	621-660	5.9%	40,000	3,540	43,540	40,000
2001	661-700	5.9%	<u>40,000</u>	<u>1,180</u>	<u>41,180</u>	<u>-</u>
	Totals		\$ 80,000 =====	\$ 4,720 =====	\$ 84,720 =====	

Note 8 - 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 intends to vigorously defend this matter. There was no activity on this lawsuit in 1999.

Note 8 - CONTINGENCIES - (continued)

The District is also a defendant in a lawsuit wherein the plaintiff claims her property was damaged. No estimate of any potential liability to the District can be made at this time but the District's management intends to vigorously defend this matter.

Note 9 - INCOME TAXES

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

Note 10 - 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 11 - RELATED PARTY TRANSACTIONS

There were no related party transactions in 1999.

Note 12 - DESIGNATION OF FUNDS FOR GRAY'S CREEK DIVERSION PROJECT

The Board of Commissioners has designated \$100,000 and all interest earned on these funds for the Gray's Creek Diversion project. This project is necessary to alleviate flooding which frequently occurs in Livingston Parish, Louisiana. The State of Louisiana is expected to provide a grant for this project in the next one to two years and the District will be required to provide matching funds to receive the grant. Until the money is needed, management has invested the money in a certificate of deposit, which has a value of \$116,010 at December 31, 1999 and is included as an investment of the General Fund.

Note 13 - PER DIEM PAID BOARD MEMBERS

Each member of the Board of Commissioners receives a per diem allowance of \$60 for attending each regular or special meeting of the board, not to exceed 24 meetings in one calendar year. Per diems were paid to the commissioners for the year ended December 31, 1999, as follows:

<u>Commissioner</u>	<u>Number of Meetings</u>	<u>Amount Received</u>
James Clark	5	300
Norman Fogg	15	900
David Gros	15	900
Richard Miller, Jr.	3	180
George Provost	16	960
Jessie Wheat	16	<u>960</u>
Total		<u>\$4,200</u> =====

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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

For the Year Ended December 31, 1999

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, 1999, and have issued my report thereon dated March 10, 2000. 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, 1999 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.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)**

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

For the Year Ended December 31, 1999

**Section IV - Management Letter**

No management letter was issued this year.

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

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

For the Year Ended December 31, 1999

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

There were not any findings reported last year.

**Section II - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL  
AWARDS**

Not applicable.

**Section III - MANAGEMENT LETTER**

No management letter was issued last year.