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Financial Report

Gravity Drainage District No. 1 Livingston Parish, Louisiana

December 31, 1995

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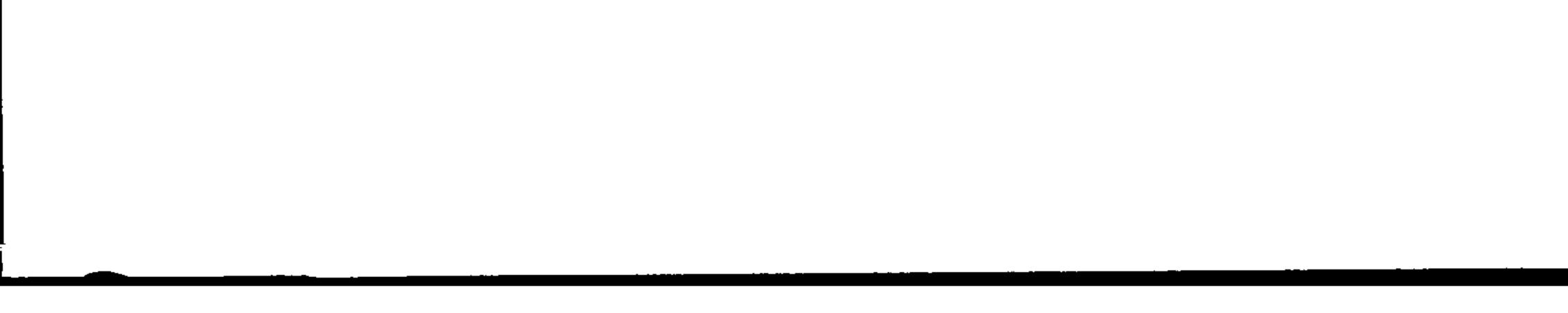
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MANAGEMENT LETTER NEIL G. FERRARI

CERTIFIED PUBLIC ACCOUNTANT 14481 OLD HAMMOND HIGHWAY, SUITE 4 BATON ROUGE, LOUISIANA 70816

MEMBER OF THE AMERICAN INSTITUTE OF CPAs

PHONE (504) 272-1177

May 14, 1996

MEMBER OF THE

SOCIETY OF LOUISIANA CPAS

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

During the audit, I noted some immaterial instances of noncompliance with state law and a weakness in the District's internal control structure. These items are as

follows:

Noncompliance

- 1. Louisiana revised Statute 39:1304 C(1) states that the budget document setting forth the proposed financial plan for the General Fund and each Special Revenue Fund shall include the following:
 - A budget message signed by the budget preparer which shall include a summary description of the proposed financial plan, policies, and objectives, assumptions, budgetary basis, and a discussion of the most important features. It does not appear that this was done for 1995. The reason for it is that you were not aware that your budget process had to include this additional information.
- 2. Louisiana revised Statutes 39:1306 and 39:1309 set forth state laws regarding public participation and the budget amendment process. During the audit, it appeared that the 1995 budget and related amendment was not properly advertised as required by state law. However, further investigation indicated that this area had been corrected with the preparation of the 1996 budget.



3. Item D of section 2955 of the Local Government Investment Law states that a political subdivision of the state, as that term is defined in Article VI, section 44 of the Constitution of Louisiana, shall develop and adopt an investment policy that details and clarifies investment objectives and the procedures and constraints necessary to reach those objectives. This section of the law also sets forth the information required to be included in such investment policies. Gravity Drainage District No. 1 needs to develop and adopt investment policies to comply with this state law. This was not done in 1995.

None of these instances of noncompliance, in my opinion, had any material effect on the financial statements. These were just instances that occurred because of the Board of Commissioners were not familiar with these sections of the law.

Internal Control

The District has no formal means of tracking changes in state law that might result in the District inadvertently not complying with the law.

Further, new situations may occur during any given year which may require the District to comply with laws that are in effect. Occasionally, a violation of state law will be noted as part of the audit process but getting this information after-the-fact is not the best way to find out. To help prevent instances of future noncompliance, you might consider one or more of the following actions:

- 1. Purchase the Louisiana Governmental Audit Guide and Laws <u>Affecting Louisiana Government</u> from the Society of Louisiana Certified Public Accountants to have the appropriate reference materials available. These books can be a good first reference source to answer your questions. Someone should be assigned the responsibility of becoming familiar with the basic laws discussed in these books to recognize potential noncompliance areas as they arise.
- 2. Consider sending Randy Smith to the Annual Governmental Accounting and Auditing Conference held in Baton Rouge each year to enable him to keep abreast of any accounting or state law changes that might affect the District. As auditor, I try to bring to your attention any changes that I feel are relative to the District's operations. However, my ability to properly inform you is limited because I am not involved in the day-to-day operations, thereby limiting my awareness of

potential problems. Accordingly, I can, for practical reasons, only inform you in certain instances after the fact. 3. **Obtain or develop a checklist to self-check and document** compliance matters.

Status of Prior Year Findings

The findings I noted in the 1994 audit and management letter were corrected by the Board of Commissioners in 1995. Therefore, there were no uncorrected material findings from the previous year's audit.

This report is intended for the information of the management and the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which upon acceptance by the Board of Commissioners of the Gravity Drainage District No. 1 of Livingston Parish, Louisiana, is a matter of public record.

Sincerely,

. *** ***

Hil Ferni, CA

Neil G. Ferrari **Certified Public Accountant**

NGF/bac

NEIL G. FERRARI

CERTIFIED PUBLIC ACCOUNTANT 14481 OLD HAMMOND HIGHWAY, SUITE 4 BATON ROUGE, LOUISIANA 70816

MEMBER OF THE SOCIETY OF LOUISIANA CPAB

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INDEPENDENT AUDITOR'S REPORT

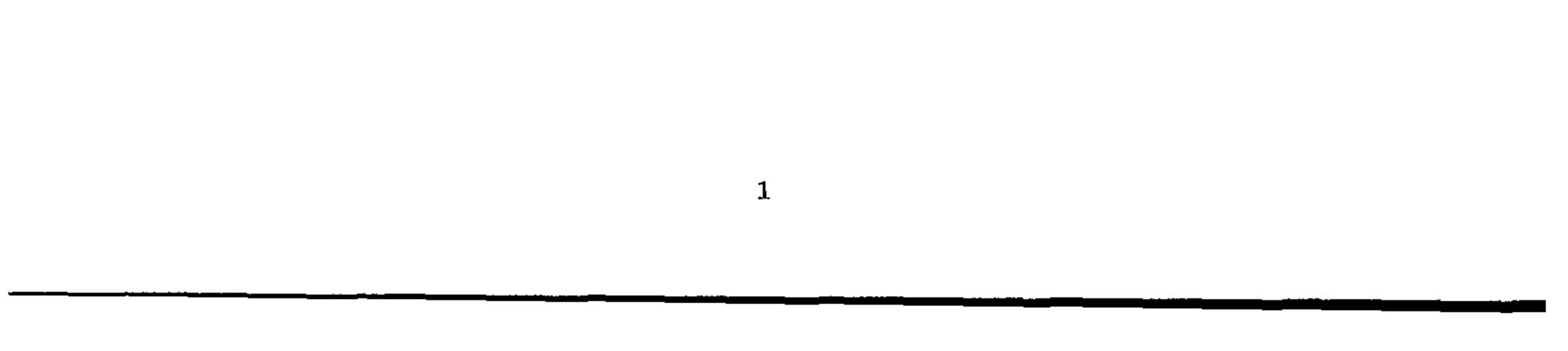
To the Board of Commissioners of Gravity Drainage District No. 1 Livingston Parish, Louisiana.

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 Police Jury, as of and for the year ended December 31, 1995. 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 <u>Government Auditing Standards</u>, 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 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, 1995, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

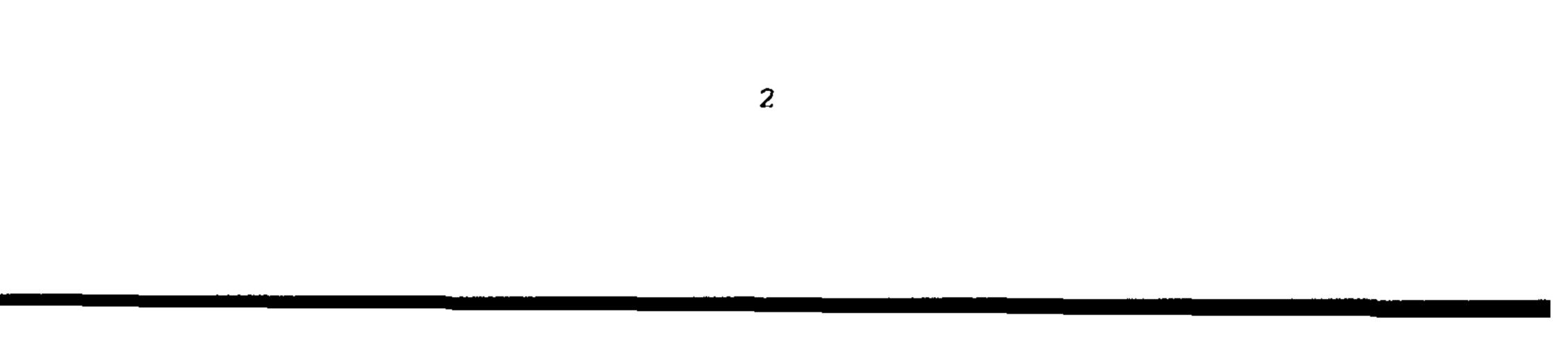
In accordance with <u>Government Auditing Standards</u>, I have also issued a report (see page 3) dated May 14, 1996 on my consideration of Gravity Drainage District No. 1's internal control structure and a report (see page 5) dated May 14, 1996, on its compliance with laws and regulations.



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

Neil B. Ferrani, CA

Baton Rouge, Louisiana, May 14, 1996.



NEIL G. FERRARI

CERTIFIED PUBLIC ACCOUNTANT 14481 OLD HAMMOND HIGHWAY, SUITE 4 BATON ROUGE, LOUISIANA 70816

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

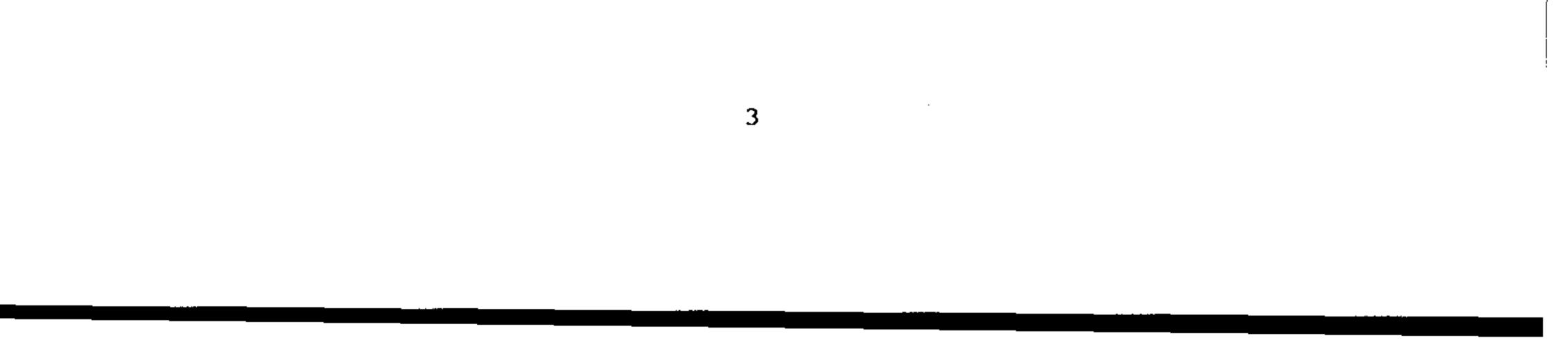
MEMBER OF THE

SOCIETY OF LOUISIANA CPAB

I have audited the general purpose financial statements of the Gravity Drainage District No. 1 of Livingston Parish, Louisiana, a component unit of the Livingston Parish Police Jury, as of and for the year ended December 31, 1995, and have issued my report thereon dated May 14, 1996.

I conducted my audit in accordance with generally accepted auditing standards and <u>Government Auditing Standards</u>, 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.

The management of the Gravity Drainage District No. 1 of Livingston Parish, Louisiana, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.



In planning and performing my audit of the general purpose financial statements of the Gravity Drainage District No. 1 of Livingston Parish, Louisiana, for the year ended December 31, 1995, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

My 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 reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control structure and its operations that I consider to be material weaknesses as defined above.

However, I noted certain matters involving the internal control structure and its operation that I have reported to the management of the Gravity Drainage District No. 1 of Livingston Parish, Louisiana, in a separate letter dated May 14, 1996.

This report is intended for the information of management and the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which upon acceptance by the Board of Commissioners of the Gravity Drainage District No. 1 of Livingston Parish, Louisiana, is a matter of public record.

Hil B. Fenni, CA

Baton Rouge, Louisiana May 14, 1996.

NEIL G. FERRARI

CERTIFIED PUBLIC ACCOUNTANT

14481 OLD HAMMOND HIGHWAY, SUITE 4

BATON ROUGE, LOUISIANA 70816

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS BASED ON AN AUDIT OF GENERAL PURPOSE 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 the Gravity Drainage District No. 1 of Livingston Parish, Louisiana, a component unit of the Livingston Parish Police Jury, as of and for the year ended December 31, 1995, and have issued my report thereon dated May 14, 1996.

MEMBER OF THE SOCIETY OF LOUISIANA CPAB

> I conducted my audit in accordance with generally accepted auditing standards and <u>Government Auditing Standards</u>, 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.

> Compliance with laws, regulations, contracts, and grants applicable to the Gravity Drainage District No.1 of Livingston Parish, Louisiana is the responsibility of the Gravity Drainage District's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, I performed tests of the Gravity Drainage District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

> The results of our tests disclosed no instances of noncompliance that are required to be reported under <u>Government</u> <u>Auditing Standards</u>.

I noted certain immaterial instances of noncompliance that I have reported in a separate letter to the Board of Commissioners dated May 14, 1996.

This report is intended for the information of management and the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which upon acceptance by the Board of Commissioners of the Gravity Drainage District No. 1 of Livingston Parish, Louisiana, is a matter of public record.

Wil B. Finani, CA

Baton Rouge, Louisiana May 14, 1996.

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GENERAL PURPOSE FINANCIAL STATEMENTS

Exhibit A

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 Police Jury Denham Springs, Louisiana

December 31, 1995

ASSETS AND OTHER DEBITS:	<u>Governmental</u> General <u>Fund</u>	<u>Fund Type</u> Debt Service <u>Fund</u>	<u>Accour</u> General Fixed <u>Assets</u>	<u>t Groups</u> General Long-Term <u>Debt</u>	Total (Memorandum <u>Only)</u>
Assets:					
Cash and cash equivalents	\$262,990	\$ 15,911	\$ –	\$	\$ 278,901
Restricted:	<i>v</i> 2027550	• 10,011	*	÷	¥ 2/0//01
Cash with fiscal agent	_	2,507	-	-	2,507
Investments, at cost	335,606	94,979	_	_	430,585
Revenues receivable:	·	·			• • -
Ad valorem tax	139,765	69,882	-	-	209,647
Sales tax	15,118	· -	-	-	15,118
Other	42		-	_	42
Allowance for uncollectible	•				
ad valorem taxes	(1,300)	(650)	-		(1,950)
Deposits	4,257	-		-	4,257
Building and equipment	-	-	347,125	-	347,125
Other debits:					
Amount available in Debt					
Service Fund	-	—	-	177,909	177,909
Amount to be provided for					
retirement of bonds payable	•	_	~	62,091	62,091
Amount to be provided for					
capital lease obligation				34,422	34,422
Total assets and	ARE 6 470	***	A343 405	4074 400	** ***
other debit	\$756,478	\$182,629	\$347,125	\$274,422	\$1,560,654
				*****EEEE	**********
LIABILITIES, EQUITY AND OTHER C	REDITS				
Liabilities:					
Accounts payable	¢ 2 017	¢ _	¢	¢	¢ 2.017
Interest payable	\$ 3,817	4, 720	ş – _	\$ -	\$ 3,817 4,720
Bonds payable		4,720	-	240,000	-
Capital lease obligation			_	34,422	•
capital lease obligation				34,422	34,422
Total liabilities	3,817	4,720		274,422	282,959
Equity and other credits:					
Investment in general fixed					
assets Rund helencer	-	-	347,125	-	347,125
Fund balances:		100 000			
Reserved for debt service		177,909	-	-	177,909
Unreserved/undesignated	752,661				752,661
Total fund equity and other credits	752,661	177,909	347,125		1,277,695

.

Total liabilities, equity, and other credits \$756,478 \$182,629 \$347,125 \$274,422 \$1,560,654 ======== -----******* TIDIERS BELEVILLE

The accompanying notes are an integral part of this statement. 8

Exhibit B

COMBINED STATEMENTS 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 Police Jury Denham Springs, Louisiana

For the year ended December 31, 1995

	General <u>Fund</u>	Debt Service <u>Fund</u>	Total (Memorandum <u>Only)</u>
REVENUES			
Taxes:			
Ad valorem	\$138,465	\$ 69,232	\$207,697
Sales	246,091	_	246,091
Intergovernmental:			00.061
State of Louisiana revenue sharing	27,861	-	27,861
Interest income:	22 201	4 010	26,320
Investments	22,301 372	4,019 186	20, 320
Ad valorem taxes		100	550
Total revenues	435,090	73,437	508,527
EXPENDITURES			
Current:			~ • • • • • •
Salaries	94,471	-	94,471
Insurance	33,784	-	33,784
Professional services	17,776	_	17,776
Employee benefits	7,520	-	7,520
Materials and supplies	9,372	-	9,372
Payroll taxes	8,486	-	8,486 9,369
Truck operations and maintenance	9,369	_	9,309
Contribution to pension plan for parochial	4,619	2,309	6,928
employees	5,400	2,309	5,400
Commissioners per diem	4,926	-	4,926
Sales tax collection fees		349	404
Other Office ourongo	3,742	-	3,742
Office expense	1,340	-	1,340
Uniforms Debt service:	17540		
Principal retirement	7,557	35,000	42,557
Interest	2,715	14,504	17,219
Capital Outlay	57,337		57,337
ourroat outral			
Total expenditures	268,469	52,162	<u>320,631</u>
Excess (deficiency) of revenues			
over expenditures	166,621	21,275	187,896
VICE CAPTINE VIEVN	•	-	·
Fund balances at beginning of year -			
restated (Note 13)	586,040	<u>_156,634</u>	<u>742,674</u>
Fund balances at end of year	\$752,661	\$177,909	\$930,570

The accompanying notes are an integral part of this statement. 9

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Exhibit C

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 Police Jury Denham Springs, Louisiana

For the year ended December 31, 1995

	Budget	Actual_	Variance Favorable (Unfavorable)
REVENUES			
Taxes:			
Sales	\$232,000	\$246,091	\$ 14,091
Ad valorem	121,000	138,465	17,465
Intergovernmental:			
State of Louisiana revenue sharing	28,000	27,861	(139)
Interest Income:			
Investments	13,500	22,301	8,801
Ad valorem taxes	500	372	(128)
Total revenues	395,000	435,090	40,090

EXPENDITURES			
Current:			
Salaries	120,000	94,471	25,529
Insurance	39,000	33,784	5,216
Professional services	12,000	17,776	(5,776)
Employee benefits	13,000	7,520	5,480
Materials and supplies	12,000	9,372	2,628
Payroll taxes	11,000	8,486	2,514
Truck operations and maintenance	10,000	9,369	631
Contribution to pension plan for parochial			
employees	5,000	4,619	381
Commissioners per diem	5,000	5,400	(400)
Sales tax collection fees	4,000	4,926	(926)
Other	1,000	55	945
Office expense	2,400	3,742	(1,342)
Uniforms	1,800	1,340	460
Debt service:			
Principal retirement	7,575	7,557	18
Interest	2,725	2,715	10
Capital outlay:		-	
General operations equipment	58,500	57,337	1,163
Gray's Creek project	50,000		50,000
Miller's Canal project	40,000		40,000
	<u>_</u>		
Total expenditures	_395,000	268,469	126,531
Dunnen (definionau) of wowerwar			
Excess (deficiency) of revenues		166,621	\$166,621
over expenditures		100,021	\$100,021 =======
Fund balance at beginning of year - restated	586,040	586,040	
rund parance at beginning of year restated			
Fund balance at end of year	\$586,040	\$752,661	

rund Datance at end of year

_____ ___ ____

The accompanying notes are an integral part of this statement. 10

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

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

December 31, 1995

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization:

Gravity Drainage District No. 1 of Livingston Parish, Louisiana was created November 22, 1969, 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 Two of Livingston Parish.

b. Reporting Entity:

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

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

criteria includes:

- Appointing a voting majority of an organization's governing body, and
 - a. The ability of the police jury to impose its will on that organizations and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
- 2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.
- 3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury appoints a voting majority of the District's governing body, and can impose its will on the District, the District was determined to be a component unit of the Livingston Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

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 standardsetting 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 selfbalancing 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 longterm debt. The governmental funds presented in the financial statements are described as follows:

Governmental Fund Types

General Fund:

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

Debt Service Fund:

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

Account Groups: е.

> 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".

e. Account Groups: - (continued)

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.

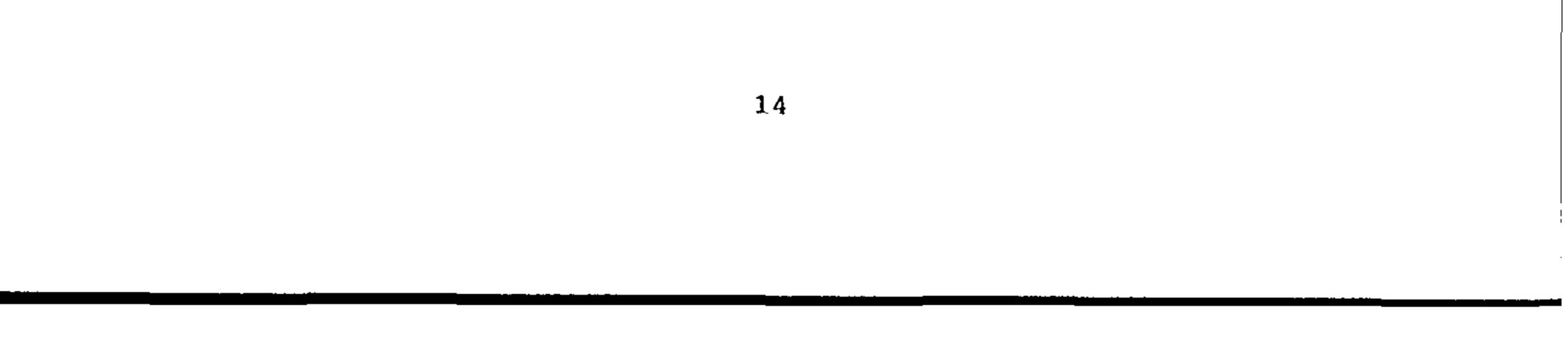
General Long-Term Debt:

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 accounted for in the debt service fund.

Basis of Accounting: f.

> 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.

> Governmental funds are accounted for using the modified accrual basis of accounting. These revenues are recognized in the accounting period in which they become available and measurable. Expenditures are generally recognized in the accounting period in which the liability is incurred, if measurable.



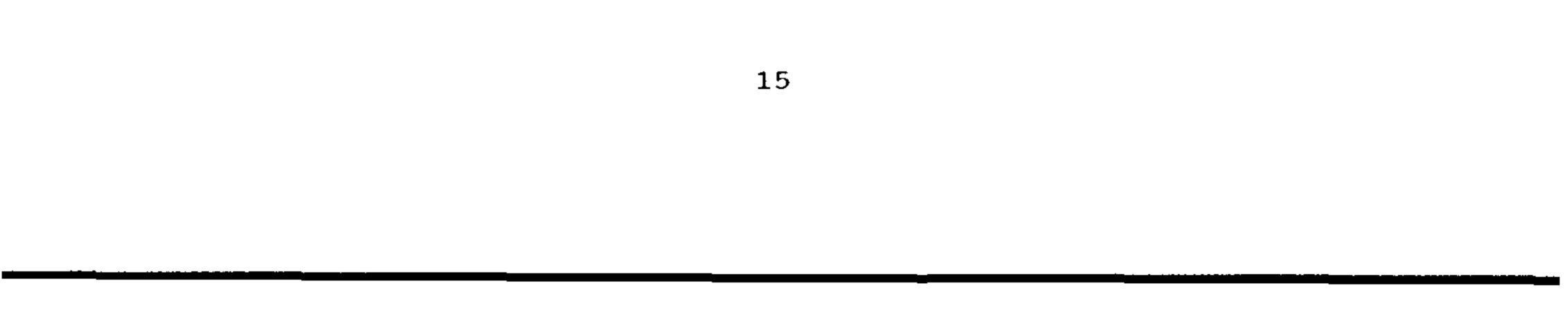
f. Basis of Accounting: - (continued)

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

• Ad valorem taxes 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 January 1 of the following year. The taxes are generally collected in December of the current year and January and February of the following year by the Parish Sheriff. By the first week in May, properties with delinquent taxes are auctioned for sale by the Parish Sheriff. Properties not sold at that time are adjudicated to the state by late May.

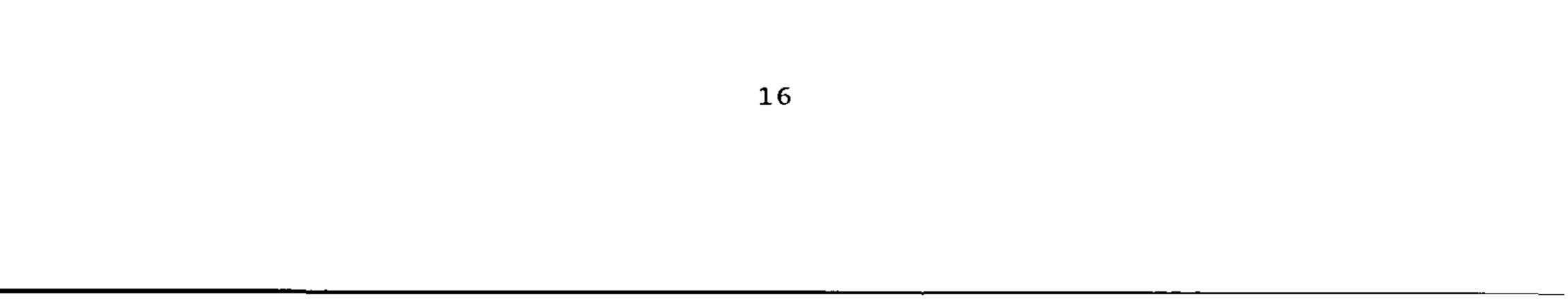
Ad valorem taxes are considered measurable in the calendar year of the tax levy.

Accordingly, the entire tax roll less an estimate for uncollectible taxes is recorded as revenue in the current calendar year. Uncollectible taxes are those taxes which based on past experience will not be collected in the subsequent year and are primarily due to subsequent adjustments to the tax roll. All of the net taxes receivable at the end of the year are considered available. 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. Property taxes are considered available because they are substantially collected by the tax collector within 60 days subsequent to year-end and are therefore available to liquidate liabilities of the current period.



- f. Basis of Accounting: (continued)
 - State revenue sharing, which is based on population and homesteads in Livingston Parish for the Gravity Drainage District #1, is \$27,861 for calendar year 1994 and \$27,808 for calendar year 1995. Although these amounts are measurable at the end of the year for which they are calculated, they are not available because no payments were received by the District within 60 days after the end of the year. Therefore, 1994 revenue sharing is recognized as revenue in 1995 when received, and 1995 revenue sharing will be recognized in 1996 when received.
 - Interest earned on idle cash and investments is recorded when income is available.
 - Grant revenues are recorded when Gravity Drainage District No. 1 is entitled to reimbursement of expenditures under the terms of the grant.
 - Governmental Accounting Standards Board Statement 22 was adopted for the 1995 reporting period. Under this standard, sales tax revenue is recognized when it is both measurable and available to finance expenses of the fiscal period. Therefore, sales tax revenues for 1995 that were remitted to the Gravity Drainage District #1 in January or February, 1996 are included in 1995 revenue.
- g. Cash, Cash Equivalents, and Investments:

Cash includes amounts in demand deposits, interest bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand 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.



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

Also, under state law, the District may invest in United States bonds, treasury notes, 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.

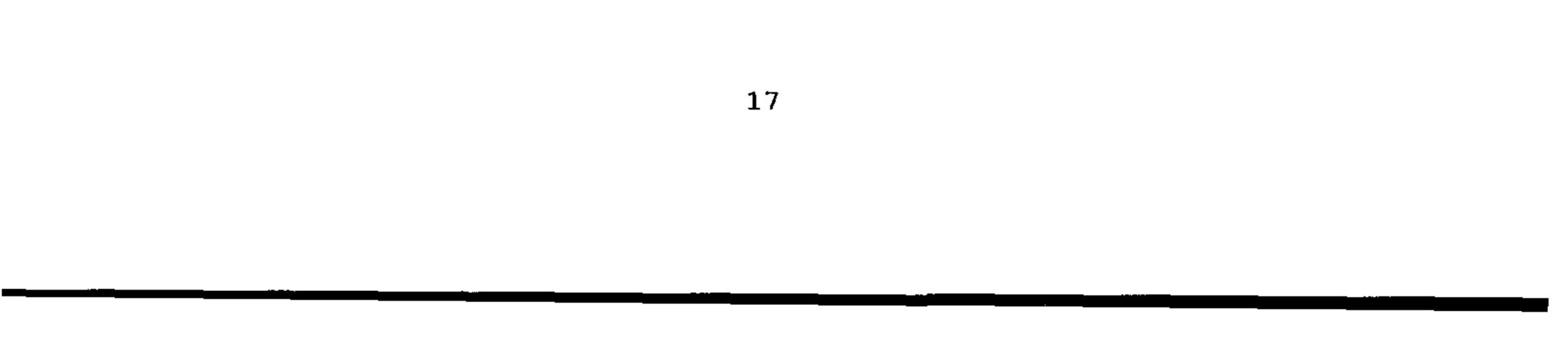
Investments are stated at cost. At year end, investments consisted of cash invested in certificates of deposit with maturities of greater than 90 days, a mutual fund invested 100% in U.S. government securities, and bonds issued by the Tennessee Valley Authority, an instrumentality of the United States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

h. 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 not a material 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.

i. Total Column on the Statements-Overview:

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



j. 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:

- Prior to the first Tuesday of December of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year which begins January 1. The operating budget includes proposed expenditures and the means of financing them.
- The budget is reviewed and discussed at a meeting of the Board of Commissioners in

December. After any changes are made, a resolution is made to adopt the budget.

Once the budget is approved, it can be amended by approval of a majority of the Board of Commissioners. Amendments are presented to the Board at its regular meetings.

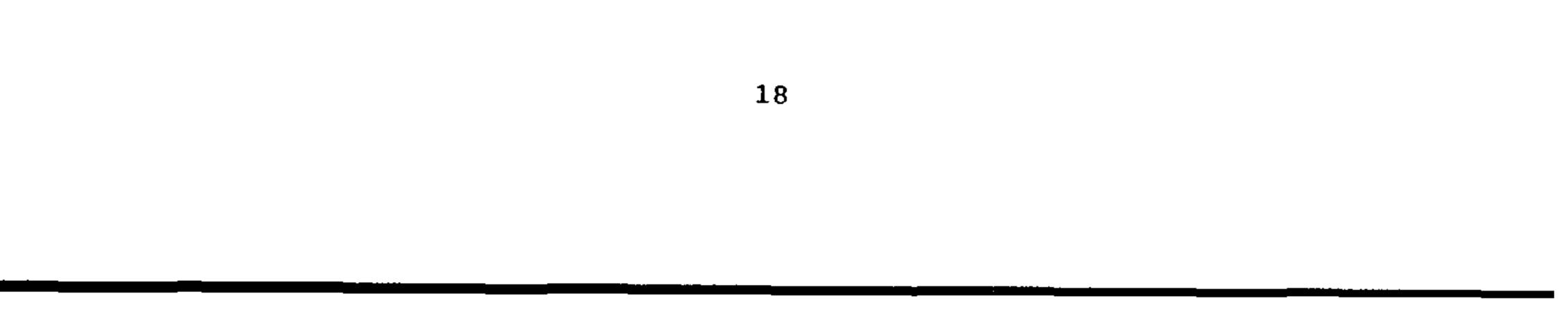
There was one amendment made to the budget that was initially adopted for 1995. The amendment was reviewed, discussed and approved at a meeting of the Board of Commissioners in December, 1995. All budget appropriations lapse at year-end.

k. Transfers:

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

1. Related Party Transactions:

There were not any related party transactions during the year.



m. Land, Buildings, Equipment and Depreciation:

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

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. Significant estimates made during the year by

management, which might affect these financial statements, include the allowance for uncollectible ad valorem taxes.

Note 2 - ACCOUNTING CHANGES FOR NEW PRONOUNCEMENTS

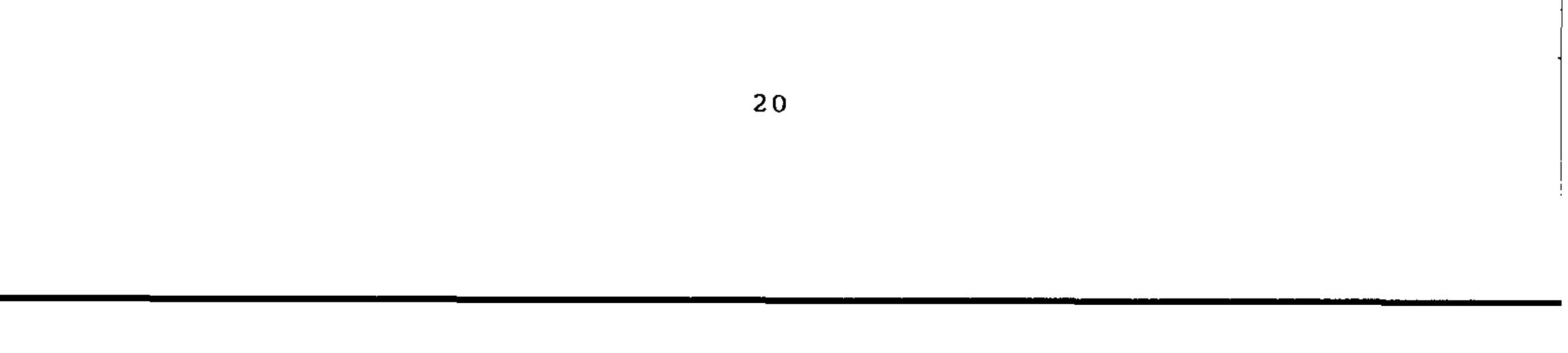
Gravity Drainage District No. 1 elected to adopt Government Accounting Standards Board Statement No. 22, "Accounting for Taxpayer - Assessed Tax Revenues in Governmental Funds". In accordance with this statement, sales taxes are accrued when both measurable and available. This change results in the recognition of an additional \$15,426 in sales tax revenue in 1995.

Note 3 - <u>CASH AND CASH EQUIVALENTS</u>

At December 31, 1995, the District has unrestricted cash and cash equivalents totaling \$278,901, as follows:

	Genera Func	_	Serv	ebt vice <u>ind</u>	<u>Tota</u>	ls
Petty cash	\$	100	\$	-	\$	100
Interest bearing demand deposits Certificate of depo	175,3 sit	713	15,	911	191,	624
(maturity 90 days or less) Edward D. Jones -	75,0	000		-	75,	,000
passport money market account	12,	<u>177</u>			12	177
Totals	\$262,9	990	\$15, ====	,911 ====	\$278	·

These deposits are stated at cost, which is equal to market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. The pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 1995, the District has \$270,055 in bank deposits (collected bank balances). These deposits are secured from risk by \$175,000 of federal deposit insurance. The remaining \$95,055 is secured by the pledge of securities by the bank holding the investments. GASB Statement 3 categorizes the \$95,055 as uncollateralized because the bank has pledged securities held by its agent, but not in the District's name. The \$12,177 held in the money market account is insured by the Securities Investor Protection Corporation which reduces credit risk similarly to federal deposit insurance.



Note 4 - <u>INVESTMENTS</u>

All investments of Gravity Drainage District No. 1 were held by the District or its agent in the District's name, except for the Putnam U.S. Government Income Trust. In accordance with GASB Codification Section I50.165, the Putnam U.S. Government Income Trust, which is a mutual fund, is not included in this category because it is not evidenced by securities that exist in physical or book entry form.

Investments at December 31, 1995 consisted of the following:

General Fund: Certificates of deposit: Hibernia National Bank \$75,000 \$75,000 06/17/96 5.00% Hibernia National Bank 150,000 150,000 03/27/96 5.57%

Other: Tennessee Valley				
Authority Bonds, dated 09-01-92	50,000	51,438	09/01/22	7.625%
Putnam U.S. Governmen Income Trust (mutual fund)	<u>60,606</u>	58,928	Demand	Various
Total general fund	335,606	335,366		
Debt Service Fund: Hibernia National Bank- Certificate of	•			
deposit	94,979	94,979	01/23/96	4.50%
Total debt service fund	94,979	<u>94,979</u>		
Total all funds	\$430,585	\$430,345		

Note 4 - <u>INVESTMENTS</u> - (continued)

The total amount of the certificates of deposit, \$319,979, is secured from risk by \$100,000 of federal deposit insurance. The remaining balance of \$219,979 is secured by the pledge of securities by the bank holding the investments. Under state law, 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. GASB Statement 3 categorizes the \$219,979 as uncollateralized because the bank has pledged securities held by its agent but not in the District's name.

The decline in the market value of the Putnam U.S. Government Income Trust is considered to be a result of temporary market fluctuations. The unrealized loss in the fund as of December 31, 1995 was \$1,678. There were no sales of this mutual fund during the year; however, \$3,521 of dividends earned were reinvested into the mutual fund during the year. This 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.

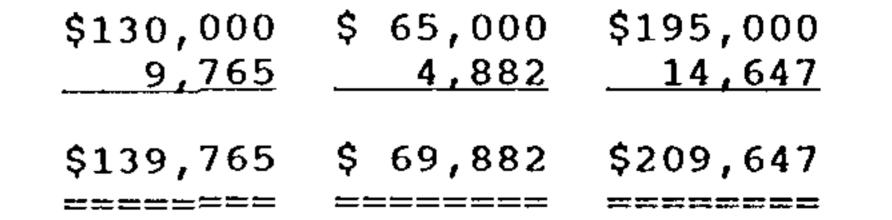
The Tennessee Valley Authority bonds were purchased on September 14, 1992 for 100% of their stated value. Although these bonds are not backed by the full faith and credit of the United States government, the Tennessee Valley Authority is a wholly-owned corporate agency and instrumentality of the United States of America. Interest is payable semi-annually on September 1st and March 1st.

Note 5 - AD VALOREM (PROPERTY) TAXES

The District's ad valorem property tax is levied each November on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The assessed value of the property on the tax roll as of January 1, 1995, was \$27,777,740. However, the Assessor estimates that assessment changes and delayed homestead exemptions will reduce this amount to approximately \$26,000,000. The receivable as of December 31, 1995 is based on this estimate, as follows: Debt

General	Service	
<u>Fund</u>	<u> </u>	<u>Totals</u>

Current taxes due Delinquent taxes



Note 5 - AD_VALOREM (PROPERTY) TAXES - (continued)

All ad valorem taxes receivable for delinquent taxes, except those collected in January or February, 1996, were written off against revenues in 1995. Any additional collections on delinquent taxes older than one year will be recognized as revenues in future periods when collected.

The allowance for uncollectible taxes has been adjusted to one percent of the current ad valorem assessment. The percentage is based on historical data gathered by the sheriff's and assessor's offices. Amounts deemed uncollectible are written off against the allowance as determined by management from year to year.

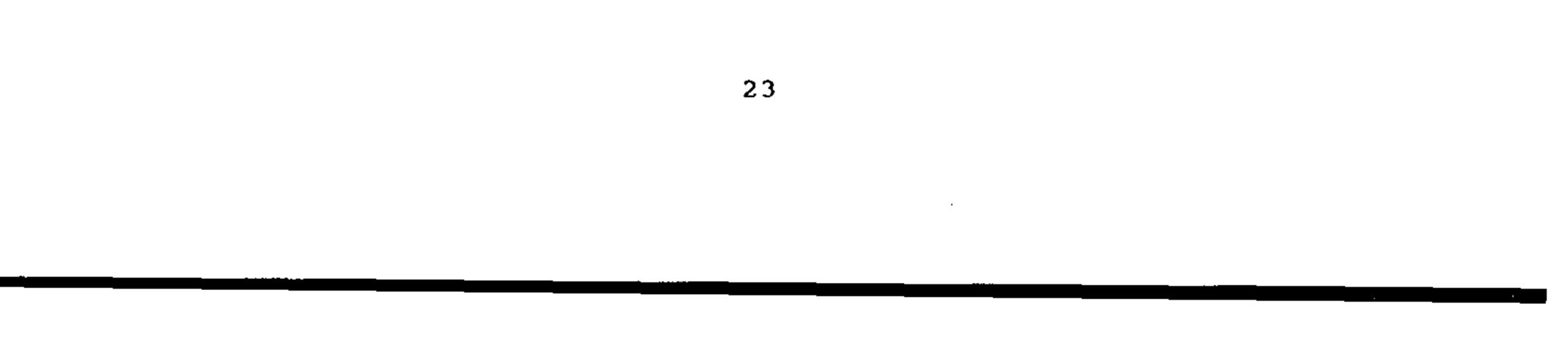
The tax rates assessed for 1995 to finance General Fund operations and the payment of principal and interest on the public improvement bonds were \$.50 and \$.25 per \$100 of property valuation, respectively, for a total of \$.75 per \$100 valuation.

Note 6 -CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance <u>01-01-95</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12-31-95</u>
		_		
Equipment (*)	\$150,148	\$ 96,762	\$(57,470)	\$189,440
Building	54,244			54,244
Land	60,000	-		60,000
Property leased under capital	1			•
lease:				
Equipment	43,441	•==	<u> </u>	43,441
	\$307,833 ======	\$ 96,762 ≈======	\$(57,470) ========	\$347,125

(*) includes vehicles



Note 7 - <u>PENSION PLAN</u>

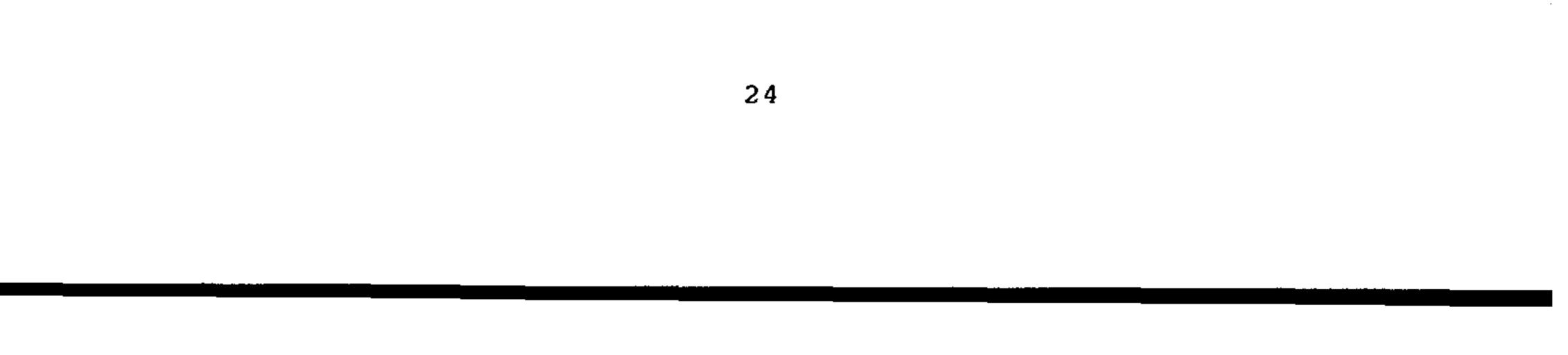
Gravity Drainage District No. 1 employees participate in the Federal Social Security Program, thus the Drainage District is required to remit an amount equal to the employee's contribution. Gravity Drainage District No. 1 does not guarantee any of the benefits granted by the Federal Social Security Program.

Gravity Drainage District No. 1 also helps to pay for retirement benefits of 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. During 1995, \$6,928 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 8 - <u>CHANGES IN LONG-TERM DEBT</u>

The following is a summary of the changes in long-term debt for the District for the year ended December 31, 1995:

Description <u>and Purpose</u>	Balance <u>01-01-95</u>	Issued	<u>Retired</u>	Balance <u>12-31-95</u>
General Long- <u>Term Debt:</u>				
Public improvement bonds	\$275,000		\$(35,000)	\$240,000
Capital lease obligation	<u>41,979</u>		(7,557)	34,422
Total	\$316,979	\$ - ======	\$(42,557) ======	\$274,422



Note 9 - <u>CONTINGENCIES</u> - (continued)

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

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

Note 10 - INCOME TAXES

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

Note 11 - LEASE COMMITMENTS

In November, 1994, the District entered into a lease agreement for the purchase of a backhoe loader. The lease is a capital lease, with monthly payments of \$856 beginning in November, 1994, for twelve months, with four one year renewal options. The lease terms provide that title to the equipment shall pass to the District immediately upon acceptance of the equipment by the District, subject to the Lessor's security interest. However, in the event funds are not appropriated or budgeted in any fiscal year, no further liability will be imposed upon the District by the Lessor, and the equipment can be returned by the District to the Lessor.

Note 11 - LEASE COMMITMENTS

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

\$10,272
10,272
10,272
<u> </u>

Total	minimum	lease	
payr	nents		39,376

Less imputed interest at an annual percentage rate of 7.041% <u>(4,954)</u>

Present value of net minimum lease payments \$34,422

Note 12 - <u>RISK MANAGEMENT</u>

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.

Note 13 - PRIOR PERIOD ADJUSTMENT

Subsequent to the issuance of the audited financial statements for the year ended December 31, 1994, it was determined that two errors had been made. Revenue sharing for 1994 of \$27,861 had been accrued even though the amount was not available (not received by the District within 60 days after the end of the year). Also, accounts receivable for ad valorem taxes were overstated. Accounts receivable had been based on the assessor's preliminary tax rolls, which had not been adjusted for corrections and delayed homestead exemptions. As a result, beginning fund balances are restated as follows: Debt

Fund balance at 12/31/94 per audited financial statements Revenue sharing correction Accounts receivable correction Fund balance at 12/31/94, as

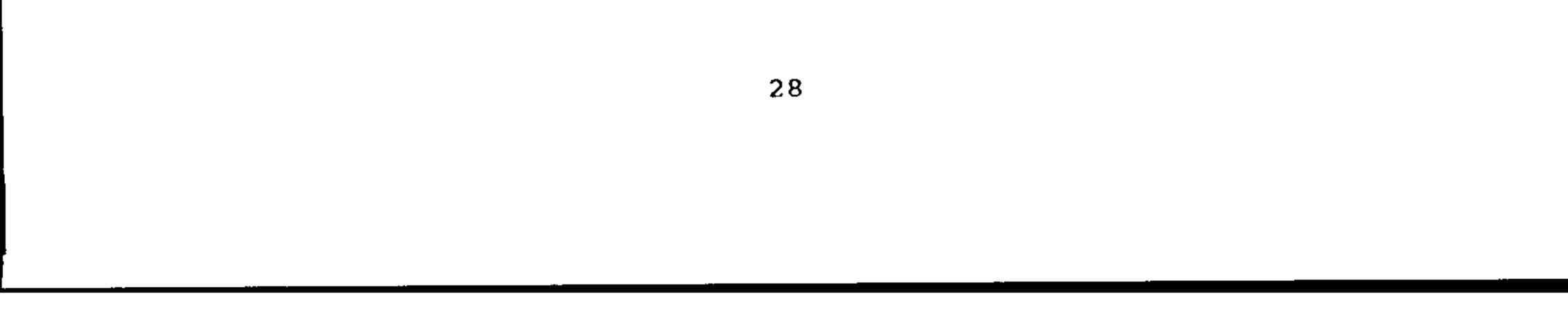
General <u>Fund</u>	Service <u>Fund</u>	
\$647,225	\$173,480	
(27,861)		
(33,324)	<u>(16,846)</u>	





SUPPLEMENTAL INFORMATION

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<u>Schedule 1</u>

SUPPLEMENTAL INFORMATION

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

December 31, 1995

PER DIEM PAID BOARD MEMBERS

Each member of the Board of Commissioners received 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 received as follows for the year ended December 31, 1995:

<u>Commissioner</u>	<u>Number of Meetings</u>	Amount Received
Bond, Evelyn Cutrer, Hollis Gros, David Provost, George Wheat, Jessie	17 19 17 18 19	\$1,020 1,140 1,020 1,080 <u>1,140</u>
Total		\$5,400

