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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OPERATIONS 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.

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 Council, as of and for the year ended December 31, 1986, and have issued my report thereon dated May 3, 1987.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose 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.

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 "scheduled" 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. Ferrari, CPA*

Baton Rouge, Louisiana,  
May 3, 1957.

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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, 1996, 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 Government Auditing Standards, issued by the Comptroller General of the United States. These 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 accounts 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, 1996, 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 a report (see page 3) dated May 5, 1997 on my consideration of Gravity Drainage District No. 1's internal control structure and a report (see page 5) dated May 5, 1997, on its compliance with laws and regulations.

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

December 31, 1998

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## SUPPLEMENTAL FINANCIAL INFORMATION

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

December 31, 1996

## PER DIEM PAID BOARD MEMBERS

Each member of the Board of Commissioners received a per diem allowance of \$50 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, 1996:

<u>Commissioner</u>	<u>Number of Meetings</u>	<u>Amount Received</u>
Road, Evelyn	15	\$ 500
Cutrer, Nellie	17	1,000
Cros, David	17	1,000
Provost, George	17	1,000
Wheat, Jennie	17	1,000
Total		\$4,000

**SUPPLEMENTAL FINANCIAL INFORMATION**

Notes 9 - CONTINGENCIES - (continued)

The District is a defendant in a lawsuit whereby the plaintiff alleges a child fell off a defective bridge owned and built by the District. The District's management believes that any potential settlements 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. The District's attorney anticipates this case may go to trial in late 1997.

Notes 10 - INCOME TAXES

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

Notes 11 - RISK MANAGEMENT

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

Notes 12 - RELATED PARTY TRANSACTIONS

There were no related party transactions in 1994.



Note 8- LEASE COMMITMENTS

In November, 1984, the District entered into a lease agreement for the purchase of a backhoe loader. The lease is a capital lease, with monthly payments of \$866 beginning in November, 1984, for twelve months, with four one year renewal options. The lease terms provide that title to the equipment shall pass to the District immediately upon acceptance of the equipment by the District, subject to the Lessor's security interest. However, in the event funds are not appropriated or budgeted in any fiscal year, no further liability will be imposed upon the District by the Lessor, and the equipment can be returned by the District to the Lessor.

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

1987	\$10,372
1988	10,372
1989	8,560
Total minimum lease payments	29,304
Less imputed interest at an annual percentage rate of 7.081%	12,389
Present value of net minimum lease payments	16,915

Note 9 - CONTINGENCIES

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

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

Note 7 - LIABILITIES IN 1990-1999

The following is a summary of the changes in long-term debt for the District for the year ended December 31, 1996:

Description and Purpose	Balance 01-01-96	Issued	Retired	Balance 12-31-96
General Long-Term Debt				
Public Improvement Bonds	\$200,000	-	\$ (40,000)	\$160,000
Capital lease obligation	14,315	-	( 8,183)	6,132
Total	\$214,315	\$ -	\$ (48,183)	\$166,132

The long-term debt outstanding at December 31, 1996, consists of the unpaid principal of public improvement bonds which were originally issued for \$200,000 on March 1, 1973. The bonds mature from 1997 to 2001 at an interest rate of 5.9 percent per annum. At December 31, 1996, there were outstanding interest payments totaling \$28,500. The bonds are secured by an ad valorem tax on real property within Ward Two of Livingston Parish, Louisiana. The combined aggregate amounts of maturities and sinking fund requirements are as follows:

Maturity	Bond Number	Rate	Yearly Payments			Bonds Outstanding
			Principal	Interest	Total	
1997	501-510	5.9%	40,000	95,420	135,420	135,000
1998	511-520	5.9%	40,000	9,880	49,880	128,000
1999	521-530	5.9%	40,000	9,880	49,880	88,000
2000	531-540	5.9%	40,000	9,880	49,880	48,000
2001	541-550	5.9%	40,000	9,880	49,880	-
	Totals		\$200,000	\$ 248,060	\$448,060	

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

Page 8 - RETIREMENT PLAN - (continued)

On January 1, 1990, Gravity Drainage District No. 1 adopted the Patria Prototype Simplified Employee Pension Plan (SEP) for its employees. Under this defined contributions plan, individual retirement accounts with Patria Investments are established for each eligible employee to which the DISTRICT will make a contribution as determined on a year-to-year basis by the District's Board of Commissioners. Because contributions are made to individual retirement accounts, all contributions received by an employee are 100% vested. The employee may select between several investment options. Gravity Drainage District No. 1 does not guarantee the results of these investments. The District's Board of Commissioners voted to contribute \$10,000, which is 11.88% of eligible wages (\$842,843) for 1990. Total gross payroll for all employees, including commissioner per diem, for the year was \$842,843. 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 15% of each eligible employee's compensation excluding compensation in excess of \$100,000 or \$20,000. Eligible employees include anyone at least age 21 who has worked for the District three of the last five years, and received at least 1000 of wages during the year. Members of the Board of Commissioners are not eligible to participate in the SEP. The District's employees did not participate in any retirement plan prior to 1990 other than the Federal Social Security program.

Gravity Drainage District No. 1 also helps to pay for retirement benefits of another retirement plan, the Parochial Employee 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 1990, \$7,800 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 4 - RECEIVABLES - (continued)

The receivables for ad valorem taxes consists of actual collections of 1996 and prior year taxes by the Livingston Parish Sheriff and Tax Collector during the period from January 3, 1997 to February 28, 1997. The receivables for sales tax consists of taxes for December, 1996 remitted by the Livingston Parish School Board in January, 1997. The receivables for revenue sharing is the first over-third of 1996 revenue sharing, which was remitted by the Livingston Parish Sheriff and Tax collector in January, 1997.

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

Note 5 - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance 01-01-96	Additions	Deletions	Balance 12-31-96
Equipment (*)	\$589,440	\$ 46,673	\$ (280)	\$635,833
Building	54,244	28,378	-	82,622
Land	60,000	-	-	60,000
Property leased under capital leases:				
Equipment	43,843	-	-	43,843
	<u>\$747,487</u>	<u>\$ 75,051</u>	<u>\$ (280)</u>	<u>\$822,258</u>

(\*) Includes vehicles

Note 6 - RETIREMENT PLANS

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

Note 3 - INVESTMENTS - (continued)

The total amount of the certificates of deposit, \$466,486, is secured from risk by \$75,023 of Federal deposit insurance. Of the remaining balance of \$391,463, \$130,776 is secured by the pledge of securities by the bank holding the investments and \$261 is unsecured. 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. Gravity Drainage District No. 1 was not in compliance with this law at December 31, 1996. GRSB Statement 3 categorizes the \$261,776 as uncollateralized (Category 3) 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 Patron 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, 1996 was \$3,352. There were no sales of this mutual fund during the year; however, \$3,397 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, 1993 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 4 - RECEIVABLES

The following is a summary of receivables at December 31, 1996:

	General Fund	Debt Service Fund	Total
Ad valorem taxes	\$121,101	\$ 61,886	\$182,987
Sales tax	15,633	-	15,633
Revenue sharing	8,872	-	8,872
Other	411	-	411
Total receivables	\$147,107	\$ 61,886	\$208,993

Note 3 - INVESTMENTS

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 GAAP Codification Section 120.165, 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, 1986 consisted of the following:

	<u>Cost</u>	<u>Market</u>	<u>Maturity</u>	<u>Interest Rate</u>
General Fund:				
certificates of deposit:				
Hibernia National Bank	\$150,000	\$150,000	03/26/93	5.25%
Hibernia National Bank	78,937	78,937	06/16/93	5.25%
Deposit warranty National Bank	70,023	70,023	04/13/93	4.43%
Other:				
Tennessee Valley Authority Bonds, dated 09-01-92	50,000	50,000	09/01/92	7.625%
Putnam U.S. Government Income Trust (mutual fund)	<u>58,000</u>	<u>60,750</u>	Demand	Various
Total general fund	<u>417,950</u>	<u>414,815</u>		
Debt Service Fund:				
Hibernia National Bank- certificate of deposit	102,528	102,528	01/22/97	5.43%
Total debt service fund	<u>102,528</u>	<u>102,528</u>		
Total all funds	<u>\$520,478</u>	<u>\$517,343</u>		

Note 2 - CASH AND CASH EQUIVALENTS

At December 31, 1996, the District has unrestricted cash and cash equivalents totaling \$108,173, as follows:

	Dollars		Totals
	<u>Fixed</u>	<u>Service</u>	
Petty cash	\$ 100	\$ -	\$ 100
Interest bearing demand deposits	88,179	38,288	83,404
Certificate of deposit (maturity 90 days or less)	200,000	-	200,000
Edward D. Jones - Passport money market account	14,711	-	14,711
Cash balance account	<u>158</u>	<u>-</u>	<u>158</u>
Totals	<u>\$273,088</u>	<u>\$38,288</u>	<u>\$108,173</u>

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, 1996, the District has \$383,743 in bank deposits (collected bank balances). These deposits are secured from risk by \$288,088 of federal deposit insurance. The remaining \$103,743 is secured by the pledge of securities by the bank holding the investments. GAMA statement 3 categorizes the \$103,743 as uncollateralized (Category 3) because the bank has pledged securities held by its agent, but not in the District's name. The \$18,869 held in the money market and cash balance accounts are insured by the Securities Investor Protection Corporation which reduces credit risk similarly to federal deposit insurance. Petty cash consists of \$100 which is unsecured.

Even though \$103,743 of bank balances are considered uncollateralized (Category 3) under the provisions of GAMA Statement No. 3, Louisiana Revised Statute 28:1228 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

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

l. Transfers and Interfund Loans:

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

m. Reservations and Designations of Fund Balances:

Reserved fund balances represent those portions of the fund balance which are either not available for expenditures 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. There were not any designated fund balances as of year end.

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 Columns on the Statements-Overview:

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



Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

- h. cash, cash equivalents, and Investments: -  
(continued)

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.

- i. Prepaid Items:

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

- j. Land, Buildings, Equipment and Depreciation:

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

- k. Vacation and Sick Leave:

All permanent full-time employees earn from 8 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 3 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. Greshley Drainage District No. 3 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 unused leave privileges, computed in accordance with GASB codification Section 660, is recognized as a current year expenditure in the General Fund when the leave is actually used.

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

g. Budgetary Policy and Budgetary Accounting - (continued)

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

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

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

There were no amendments made to the budget that was initially adopted for 1988. All budget appropriations lapse at year-end.

h. 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.

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.

f. Basis of Accounting: - (continued)

- Interest earned on idle cash and investments is recorded when income is available.
- Grant revenues are recorded when Gravity Drainage District No. 1 is entitled to reimbursement of expenditures under the terms of the grant.
- Sales tax revenue is recognized when it is both measurable and available to finance expenses of the fiscal period. Therefore, sales tax revenues for 1998 that were remitted to the Gravity Drainage District No. 1 in January or February, 1998 are included in 1998 revenue, and sales tax revenues for 1998 that were remitted to the District in January or February, 1997 are included in 1998 revenue.

Expenditures

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

Other Financing Sources (Uses)

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

g. Budgetary Policy and Budgetary Accounting:

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

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

f. Basis of Accounting - (continued)

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

- The District's ad valorem property tax is levied each November 15 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. This tax becomes delinquent on January 1 of the following year. The assessed value of the property on the tax roll as of January 1, 1996, was \$32,155,910. The tax rates assessed for uses to finance general fund operations and the payment of principal and interest on the public improvement bonds were 5.4681 and 5.2143 per \$100 of property valuation, respectively, for a total of 5.100 per \$100 valuation.

The taxes are generally collected in December of the current year and January and February of the following year. By the first week in May (of the year after the year when the tax was due), properties with delinquent taxes are auctioned for sale by the Parish Sheriff. Properties not sold at that time are adjudicated to the State of Louisiana by late May. Current year ad valorem taxes are recognized as revenue if collected within sixty days after the end of the year.

- State revenue sharing, which is based on population and homesteads in Livingston Parish for the Gravity Drainage District No. 1, is \$17,808 for calendar year 1996 and \$26,826 for calendar year 1995. Although these amounts are measurable at the end of the year for which they are calculated, they are not available unless payments were received by the District within 60 days after the end of the year. No payments for 1995 revenue sharing were received within 60 days after year end, so the entire \$21,098 was recognized as revenue when it was received in 1996. One-third (\$9,812) of the 1996 revenue sharing was also recognized as revenue in 1996 because it was received within 60 days after the end of the year.

d. 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.

e. Basis of Accounting:

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

Revenues:

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 90 days).

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

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 Funds:

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 Funds:

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

e. Account Groups:

An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. The following two account groups are not "funds".

Note 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

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

e. Basis of Statement Presentation:

The accounting and reporting policies of the Greyside 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 24:304, the Louisiana Governmental Audit Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

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

**December 31, 1996**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Organization and Nature of Operations:**

Gravity Drainage District No. 1 of Livingston Parish, Louisiana (the District) was created November 23, 1989, by the Livingston Parish Council, as provided by Louisiana Revised Statute 18:1701. The District is governed by a Board of five commissioners who are appointed by the Livingston Parish Council. There were 11 people employed by the District in 1996, including its five commissioners. The 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 Council is the financial reporting entity for Livingston Parish. The financial reporting entity consists of (a) the primary government (parish council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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



STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
PUBLIC WORKS BOARD, 1994. ACTUAL - GENERAL FUND

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

For the year ended December 31, 1994

	Budget	Actual	Variance Favorable Unfavorable
<b>REVENUES</b>			
<b>General</b>			
Sales	1020,000	923,486	\$ 96,514
Ad valorem	510,000	137,803	372,197
<b>Intergovernmental:</b>			
State of Louisiana revenue sharing	20,000	34,488	14,488
<b>Interest Income:</b>			
Investments	10,000	10,793	793
Ad valorem taxes	500	3,128	2,628
<b>Total revenues</b>	<b>1,560,500</b>	<b>1,109,798</b>	<b>450,702</b>
<b>EXPENDITURES</b>			
<b>Current:</b>			
Salaries	385,000	313,573	71,427
Insurance	20,000	20,353	(353)
Employee benefits	10,000	22,627	(12,627)
Professional services	13,000	13,500	(500)
Truck operations and maintenance	12,000	12,948	(948)
Payroll taxes	9,000	9,388	(388)
Materials and supplies	10,000	8,827	1,173
Contributions to pension plan for provincial employees	5,000	5,288	(288)
Commissioners per diem	0,000	4,988	4,988
Office expense	3,000	4,628	(1,628)
Sales tax collection fees	4,000	4,428	(428)
Uniforms	1,000	1,013	(13)
Other	000	00	000
<b>Debt service:</b>			
Principal retirement	-	0,100	(0,100)
Interest	-	2,100	(2,100)
<b>Capital outlays:</b>			
General operations equipment	40,000	67,043	(27,043)
Infrastructure	304,000	38,147	265,853
<b>Total expenditures</b>	<b>739,000</b>	<b>568,328</b>	<b>170,672</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>-</b>	<b>60,470</b>	<b>\$ 60,470</b>
<b>Fund balance at beginning of year</b>	<b>750,663</b>	<b>750,663</b>	
<b>Fund balance at end of year</b>	<b>750,663</b>	<b>811,133</b>	

The accompanying notes are an integral part of this statement.

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

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

For the year ended December 31, 1995

	General Fund	DEBT Service Fund	TOTAL (Reconciliation Entry)
<b>REVENUES</b>			
Taxes:			
Ad valorem	2127,822	2 58,924	2 226,746
Sales	222,486	-	222,486
Intergovernmental:			
State of Louisiana revenue sharing program income:	35,480	-	35,480
Investments	28,761	5,172	33,933
Ad valorem taxes	1,320	562	1,882
<b>Total revenues</b>	<b>426,189</b>	<b>74,658</b>	<b>501,847</b>
<b>EXPENDITURES</b>			
Current:			
Salaries	211,878	-	211,878
Insurance	29,552	-	29,552
Employee benefits	22,827	-	22,827
Professional services	12,580	-	12,580
Truck operations and maintenance	11,588	-	11,588
Payroll taxes	9,384	-	9,384
Materials and supplies	9,527	-	9,527
Contributions to pension plan for parochial employees	5,204	2,882	7,086
Commissioners per diem	4,980	-	4,980
Office expense	4,620	-	4,620
Sales tax collection fees	4,424	-	4,424
Uniforms	1,811	-	1,811
Other	91	389	480
DEBT SERVICE:			
Principal retirement	6,521	42,080	48,601
Interest	2,255	12,172	14,427
Capital Outlay	286,282	-	286,282
<b>Total expenditures</b>	<b>584,274</b>	<b>54,632</b>	<b>638,906</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>161,415</b>	<b>19,966</b>	<b>181,381</b>
Fund balances at beginning of year	252,662	132,989	385,651
Fund balances at end of year	414,077	152,955	567,032

The accompanying notes are an integral part of this statement.

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

Sheet 4

Newry Drainage District No. 1 of Livingston Parish, Louisiana  
& Component Unit of the Livingston Parish Council  
Denon Springs, Louisiana

December 31, 1998

	Governmental Fund Type		Account Groups		Total (Memoranda Only)
	General Fund	DEBT Service Fund	Capital Fixed Assets	Long-Term Debt	
<b>ASSETS AND OTHER DEBITS:</b>					
<b>ASSETS:</b>					
Cash and cash equivalents	273,088	2 26,285	0	0	2 299,373
Receivables:					
Cash with fiscal agent	-	2,500	-	-	2,500
Investments, at cost	613,947	202,428	-	-	816,375
Revenue receivable:					
Ad valorem tax	122,181	41,086	-	-	163,267
Sales tax	18,432	-	-	-	18,432
Revenue sharing	8,612	-	-	-	8,612
Other	422	-	-	-	422
Deposits	922	-	-	-	922
Polling, equipment & vehicles	-	-	413,878	-	413,878
<b>OTHER DEBITS:</b>					
Amount available in Debt Service Fund	-	-	-	197,475	197,475
Amount to be provided for retirement of bonds payable	-	-	-	2,827	2,827
Amount to be provided for capital lease obligation	-	-	-	26,318	26,318
<b>Total assets and other debits</b>	<b>958,130</b>	<b>221,408</b>	<b>413,878</b>	<b>226,318</b>	<b>1,819,734</b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>					
<b>LIABILITIES:</b>					
Accounts payable	2 4,094	0	0	0	2 4,094
Inherent payable	-	3,932	-	-	3,932
Bonds payable	-	-	-	200,000	200,000
Capital lease obligation	-	-	-	26,318	26,318
<b>Total liabilities</b>	<b>4,094</b>	<b>3,932</b>	<b>-</b>	<b>226,318</b>	<b>234,344</b>
<b>Equity and other credits:</b>					
Investments in general fixed assets	-	-	413,878	-	413,878
<b>Fund balances:</b>					
Reserve for debt service maturities/unassigned	-	197,473	-	-	197,473
	615,036	-	-	-	615,036
<b>Total fund equity and other credits</b>	<b>615,036</b>	<b>197,473</b>	<b>413,878</b>	<b>-</b>	<b>1,226,417</b>
<b>Total liabilities, equity, and other credits</b>	<b>658,130</b>	<b>221,408</b>	<b>413,878</b>	<b>226,318</b>	<b>1,519,734</b>

The accompanying notes are an integral part of this statement.

GENERAL PURPOSE FINANCIAL STATEMENTS

I noted certain immaterial instances of noncompliance that I have reported to the management of the Gravity Drainage District No. 1 of Livingston Parish, Louisiana and discussed in the "Schedule of Immaterial Weaknesses in Internal Control, Immaterial Instances of Noncompliance and Recommendations" (see page 10).

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.

*Neil B. Ferran, CPA*

Baton Rouge, Louisiana  
May 1, 1957.

# NEIL G. FERRARI

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SOCIETY OF COSTUME CPAs

MEMBER OF THE  
NATIONAL INSTITUTE OF CPAs

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PREPARED 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 Council, as of and for the year ended December 31, 1990, and have issued my report thereon dated May 5, 1997.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the 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 Government Auditing Standards.

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, 1988, 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 Gravity Drainage District No. 1 of Livingston Parish, Louisiana and discussed in the "Schedule of Immaterial Weaknesses in Internal Control, Immaterial Instances of Noncompliance and Recommendations" (see page 10).

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.

*Neil B. Fenari, CPA*

Baton Rouge, Louisiana  
May 8, 1989.

SCHEDULE OF IMMATERIAL MEMBERSHIP IN INTERNAL CONTROL,  
IMMATERIAL INSTANCES OF NONCOMPLIANCE AND RECOMMENDATIONS

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

December 31, 1990

IMMATERIAL MEMBERSHIP IN INTERNAL CONTROL

**Findings:** Money for the first and second quarter SEP contributions were initially deposited into the District's cash balance account at Edward D. Jones and then transferred in December to the individual SEP-IRA accounts at Putnam Investments. However, more money was transferred into the SEP-IRA accounts than had been deposited for that purpose. This error was corrected by the Board agreeing to increase the contribution rate.

**Recommendations:** Money for the third and fourth quarter contributions was deposited directly into the individual SEP-IRA accounts. I recommend that this procedure continue to be used.

**Response:** The District remitted the SEP contributions to the Agent in a timely manner. The Agent was informed how to allocate amounts to each qualifying employee for each remittance. However, because the Agent had not obtained the signatures to set up each employee's account timely, the funds contributed by the District were not deposited into the participants' individual accounts until a later date. Now that individual accounts have been properly set up, this problem should not occur again.

IMMATERIAL INSTANCES OF NONCOMPLIANCE

**Findings:** Under state law, deposits in banks must be 100% secured at all times by a combination of federal deposit insurance and the market value of any securities pledged as additional collateral for the deposits. At December 31, 1990, the District's deposits at Citicorp National Bank exceeded the total of federal deposit insurance and pledged securities by \$480.



IMMEDIATE INSTANCES OF NONCOMPLIANCE - (CONTINUED)

**Recommendation:** The pledged securities should be marked to market no less frequently than quarterly, or every time a certificate of deposit is purchased or renewed.

**Response:** The District will request from Minerva Bank an increased pledge of securities to cover any unsecured assets plus allow room for interest earnings on temporary investments.

CORRECTIVE ACTION TAKEN ON PRIOR YEAR FINDINGS

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

December 31, 1996

The following discussion briefly presents the findings from the 1996 audit and what action, if any, has been taken to correct them.

IMMATERIAL INSTANCES OF NONCOMPLIANCE

Finding #1: The 1996 budget did not include a budget message as required by Louisiana Revised Statute 39:1394 C (3).

Corrective Action: A budget message was included for the 1997 budget adopted in December, 1996.

Finding #2: The 1996 budget and related amendment was not properly advertised as required by Louisiana Revised Statutes 39:1328 and 39:1329.

Corrective Action: Both the 1996 and the 1997 budgets were properly advertised.

Finding #3: Gravity Drainage District No. 1 should develop and adopt investment policies in order to be in compliance with Item D of Section 2053 of the Local Government Investment Law.

Corrective Action: An investment policy was adopted on September 18, 1996.

CORRECTIVE ACTION TAKEN ON PRIOR YEAR FINDINGS - (CONTINUED)

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

December 31, 1994

IMMATERIAL WEAKNESSES IN INTERNAL CONTROL

- Finding #1: The District has no formal means of tracking changes in state law that might result in the District inadvertently not complying with the law. To help prevent future noncompliance, the District should consider one or more of the following recommendations.
- Recommendation #1: Purchase the Louisiana Audit Guide and Law Affecting Louisiana Government from the Society of Louisiana Certified Public Accountants to have the appropriate reference materials available.
- Corrective Action: These books were purchased.
- Recommendation #2: Consider sending Hardy Smith, the Administrative Secretary, 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.
- Corrective Action: Hardy Smith attended the conference.
- Recommendation #3: Obtain or develop a checklist to self-check and document compliance matters.
- Corrective Action: Hardy Smith developed a list of compliance related questions and obtained answers to these questions at the 1994 Annual Governmental Accounting and Auditing Conference. He does not think that a formal checklist is needed at this time, but he will develop one for any new compliance matters.