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LIVINGSTON PARISH
GRAVITY DRAINAGE DISTRICT NO.5
WALKER, LOUISIANA

ANNUAL FINANCIAL REPORT

DECEMBER 31, 1998

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Release Date 7-28-99

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT NO. 5
Walker, Louisiana

Annual Financial Statements with Independent Auditor's Report
For the Year Ended December 31, 1998

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying component unit financial statements of the Gravity Drainage District No. 5 of Livingston Parish, Louisiana, a component unit of the Livingston Parish Council, as of and for the year ended December 31, 1998, as listed in the Table of Contents. These financial statements are the responsibility of Livingston Parish Gravity Drainage District No. 5's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures About Year 2000 Issues*, requires disclosure of certain matters regarding the Year 2000 issue. Gravity Drainage District No. 5 has included such disclosures in Note 9. Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support Gravity Drainage District No. 5 disclosures with respect to the Year 2000 Issue made in Note 9. Further, I do not provide assurance that Gravity Drainage District No. 5 is or will be ready, that Gravity Drainage District No. 5's year 2000 remediation efforts will be successful in whole or in part, or that parties with which Gravity Drainage District No. 5 does business will be year 2000 ready.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to examine evidence regarding year 2000 disclosures, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Gravity Drainage District No. 5, as of December 31, 1998, 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 dated June 18, 1999, on my consideration of Gravity Drainage District No. 5's internal control structure and a report dated June 18, 1999, on its compliance with laws and regulations.

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


Leroy J. Chustz
Certified Public Accountant, APAC
June 18, 1999

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Gravity Drainage District No. 5
of Livingston Parish
Walker, Louisiana

I have audited the financial statements of Gravity Drainage District No. 5 of Livingston Parish, Louisiana, a component unit of the Livingston Parish Council, as of and for the year ended December 31, 1998, and have issued my report thereon dated June 15, 1999. I conducted my audit in accordance with generally accepted auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Gravity Drainage District No. 5's financial statements are free of material misstatement, I performed tests of compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed the following instances of noncompliance that are required to be reported herein under *Government Auditing Standards* for which the ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in the Gravity Drainage District No. 5's 1998 financial statements.

LOCAL GOVERNMENT BUDGET ACT - 97-1

FINDING: Repeated from 1997

The District did not adopt a budget for the year 1998 until June 22, 1998. According to the Louisiana Local Government Budget Act (LSA-RS 39:1301-1314), the District should adopt an annual budget prior to the beginning of the fiscal year.

RECOMMENDATION:

The District should adopt an annual budget in compliance with the Local Government Budget Act.

MANAGEMENT RESPONSE:

The District adopted an annual budget for 1999 on December 28, 1998.

COLLATERAL ON BANK ACCOUNTS - 98-1

FINDING:

The district did not have its bank depository balances fully collateralized during 1998 and at December 31, 1998, as required by LRS 47:1803-04.

RECOMMENDATION:

The district should ensure that all deposit accounts are fully insured or collateralized.

MANAGEMENT RESPONSE:

The district will closely monitor and require the fiscal agent bank to pledge collateral as required.

Internal Control Over Financial Reporting

In planning and performing my audits, I considered Gravity Drainage District No. 5's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of Gravity Drainage District No. 5's management, and federal awarding agencies and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.



Leroy J. Chustz
Certified Public Accountant, APAC
June 18, 1999

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT NO. 5
Walker, Louisiana

BALANCE SHEET
December 31, 1998

	<u>GENERAL FUND</u>	<u>GENERAL FIXED ASSETS ACCOUNT GROUP</u>	<u>GENERAL LONG-TERM DEBT ACCOUNT GROUP</u>	<u>TOTAL (MEMO ONLY)</u>
ASSETS				
Cash and Cash Equivalents - Note 3	\$141,444.85	-	-	\$141,444.85
Investment in Certificate of Deposit - Note 3	58,627.37	-	-	58,627.37
Receivables - Note 4	28,457.94	-	-	28,457.94
Deposits	2,374.62	-	-	2,374.62
Land and Building - Note 2	-	\$63,777.75	-	63,777.75
Machinery and Equipment - Note 2	-	377,835.81	-	377,835.81
Furniture - Note 2	-	240.61	-	240.61
Amount to be provided for Retirement of General Long-Term Debt	-	-	<u>\$78,250.43</u>	<u>78,250.43</u>
Total Assets	<u>\$230,904.78</u>	<u>\$441,854.17</u>	<u>\$78,250.43</u>	<u>\$751,009.38</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts Payable	\$ 4,671.65	-	-	\$ 4,671.65
Payroll Taxes Payable	1,630.96	-	-	1,630.96
Obligations under Capital Lease - Note 7	-	-	<u>\$78,250.43</u>	<u>78,250.43</u>
Total Liabilities	<u>\$ 6,302.61</u>	-	<u>\$78,250.43</u>	<u>\$84,553.04</u>
Fund Equity:				
Investment in General Fixed Assets - Note 2	-	\$441,854.17	-	\$441,854.17
Fund Balance - Unreserved Undesignated	<u>224,602.17</u>	-	-	<u>224,602.17</u>
Total Fund Equity	<u>\$224,602.17</u>	<u>\$441,854.17</u>	-	<u>\$666,456.34</u>
Total Liabilities and Fund Equity	<u>\$230,904.78</u>	<u>\$441,854.17</u>	<u>\$78,250.43</u>	<u>\$751,009.38</u>

See accompanying notes to the financial statements.

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT NO. 5
Walker, Louisiana

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET (GAAP BASIS) AND ACTUAL -
ALL GOVERNMENTAL FUND TYPES - GENERAL FUND
For the Year Ended December 31, 1998

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:			
Taxes, Net of Refunds	\$307,000.00	\$306,186.71	\$ (813.29)
Interest	8,000.00	6,000.60	(1,999.40)
Miscellaneous	<u>8,000.00</u>	<u>8,000.00</u>	<u>-0-</u>
Total Revenues	<u>\$323,000.00</u>	<u>\$320,187.31</u>	<u>\$(2,812.69)</u>
Expenditures:			
Current:			
General Government:			
Salaries and Wages	\$150,000.00	\$147,191.15	\$ 2,808.85
Board Member Per Diem	1,150.00	2,250.00	(1,100.00)
Payroll Tax Expense	13,000.00	12,177.56	822.44
Collection Costs	6,145.00	6,140.95	4.05
Fuel Expense	5,300.00	5,207.38	92.62
Insurance	53,255.00	53,253.66	1.34
Maintenance Supplies and Repairs	50,825.00	50,242.08	582.92
Miscellaneous	3,200.00	3,144.77	55.23
Office Expense	400.00	351.45	48.55
Professional Fees	3,000.00	2,964.59	35.41
Rent - Equipment	5,750.00	5,741.37	8.63
Utilities	4,700.00	4,656.05	43.95
Capital Outlay	8,900.00	8,823.30	76.70
Debt Service:			
Principal Retirement	43,000.00	42,272.55	727.45
Interest	<u>6,700.00</u>	<u>6,603.25</u>	<u>96.75</u>
Total Expenditures	<u>\$355,325.00</u>	<u>\$351,020.11</u>	<u>\$ 4,304.89</u>
Excess (Deficiency) of Revenues over Expenditures	\$(32,325.00)	\$(30,832.80)	\$(1,492.20)
Fund Balance - Beginning of Year	<u>255,435.00</u>	<u>255,435.00</u>	
Fund Balance - End of Year	<u>\$223,110.00</u>	<u>\$224,602.20</u>	

See accompanying notes to the financial statements.

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT NO. 5

Walker, Louisiana

Notes to the Financial Statements

For the Year Ended December 31, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Gravity Drainage District No. 5 of Livingston Parish is a body corporate created by the Livingston Parish Council, 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 Council. The Drainage District is authorized to construct, maintain and improve the system of Gravity Drainage within Ward Seven of Livingston Parish.

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

A. Financial Reporting Entity

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

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

B. Fund Accounting

The accounts of the Gravity Drainage District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT NO. 5
Notes to the Financial Statements, Continued
December 31, 1998

activities are controlled. At this time the Gravity Drainage District maintains only a general fund, and account groups entitled General Fixed Assets Account Group and General Long-Term Debt Account Group.

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

C. Fixed Assets and Long-Term Liabilities

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

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

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

D. Basis of Accounting

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

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Purchase of various operating supplies are regarded as expenditures at the time purchased.

E. Budgets

Louisiana Local Government Budget Act, LSA-R.S. 39:1301-15 requires all

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT NO. 5
Notes to the Financial Statements, Continued
December 31, 1998

governmental entities to prepare a comprehensive budget presenting a complete financial plan for the ensuing year. The Drainage District adopts an annual budget based on anticipated revenues consistent with generally accepted accounting principles. Annual appropriations of funds are not made. Budgetary accounts are not integrated in the formal accounting system. Encumbrance accounting is not followed because of the small number of transactions involved.

F. Encumbrances

The District does not use the encumbrance method of accounting.

G. Investments

Investments are certificates of deposit with maturities greater than 90 days when purchased. They are stated at cost which approximates market value.

H. Cash and Cash Equivalents

For purposes of reporting cash flows, the District considers Certificates of Deposit, Treasury Bills, and Money Market Funds, with a maturity of three months or less when purchased, to be cash equivalents.

I. Inventories

Inventories in the governmental funds are considered immaterial and the expenditures are recognized when the items are purchased.

J. Compensated Absences

The District has the following policy relating to vacation leave:

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

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

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

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

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT NO. 5
Notes to the Financial Statements, Continued
December 31, 1998

K. Sales Taxes

In May, 1985, the voters passed a sales tax in which the District receives ½ of 1% upon the sale at retail, the use, the lease or rental, the consumption, and storage for use or consumption, of tangible personal property and on the sales of services in the District, as defined in L.R.S. 47:301 through 47:317, inclusive, for a period of 10 years from the date of first levy of said tax. In 1995, the District went before the voters and received a 10-year renewal of said tax to September, 2005.

L. Total Column on Statements - Overview

The total columns on the statements - overview are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position or results of operations, in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation.

2. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>LAND AND BUILDING</u>	<u>FURNITURE AND FIXTURES</u>	<u>MACHINERY AND EQUIPMENT</u>	<u>TOTAL</u>
Balance - December 31, 1997	\$ 98,252	\$ 240	\$369,013	\$467,505
Additions	-0-	-0-	-0-	-0-
Reductions	<u>34,474</u>	<u>-0-</u>	<u>-0-</u>	<u>34,474</u>
Balance - December 31, 1998	<u>\$ 63,778</u>	<u>\$ 240</u>	<u>\$369,013</u>	<u>\$433,031</u>

3. CASH AND INVESTMENTS

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

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT NO. 5

Notes to the Financial Statements, Continued

December 31, 1998

As confirmed by the fiscal agent, the District had cash and investments totaling \$208,554, and a carrying value of \$200,072 at December 31, 1998. Cash and investments are stated at cost, which approximates market. These deposits must be secured under state law by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. These pledged securities are to be held in the name of the pledging bank in a custodial bank that is mutually acceptable to the parties involved. The following is a summary of cash and investments at December 31, 1998, with the related federal deposit insurance and pledged securities, if any:

	<u>CONFIRMED BANK BALANCE DECEMBER 31, 1998</u>	<u>FDIC INSURANCE</u>	<u>SECURITIES PLEGDED</u>	<u>BALANCE UNSECURED</u>
Cash and Cash Equivalents	\$ 149,927	\$ 100,000	\$ 49,927	\$ -0-
Investments - Time Certificate of Deposit (Maturity) Greater than 90 Days)	<u>58,627</u>	<u>-0-</u>	<u>33,660</u>	<u>24,967</u>
Total	<u>\$ 208,554</u>	<u>\$ 100,000</u>	<u>\$ 83,587</u>	<u>\$24,967</u>

The bank balance which is considered uninsured at December 31, 1998, is collateralized by pledged securities with an estimated market value of approximately \$83,587.

4. RECEIVABLES

A summary of Receivables as of December 31, 1998, follows:

<u>CLASS OF RECEIVABLE</u>	<u>GENERAL</u>
Taxes - Sales Tax	\$28,008
Interest - Accrued Interest	<u>450</u>
	<u>\$28,458</u>

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

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

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT NO. 5
Notes to the Financial Statements, Continued
December 31, 1998

5. PENSION PLAN AND RETIREMENT COMMITMENTS

The District does not have a pension plan.

6. POST-RETIREMENT BENEFITS

The District does not offer any post-retirement benefits.

7. LEASES

A. Obligation Under Capital Lease

The District has an obligation under a capital lease of the following nature:

Deere Credit, Inc.:

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

\$ 17,931

The following is a summary of future minimum lease payments under the capital lease and present value of the net minimum lease payments as of December 31, 1998.

<u>YEAR ENDED</u> <u>DECEMBER 31,</u>	<u>TOTAL</u> <u>PAYMENTS</u>
1999	17,133
2000	<u>1,558</u>
Total Minimum Lease Payments	\$18,691
Less: Amount Representing Interests	<u>(760)</u>
Present Value of Net Minimum Lease Payments	<u>\$17,931</u>

Deere Credit, Inc.:

1996 lease agreement for financing the acquisition of a John Deere 690E Excavator. This lease includes a non-appropriation of funds clause but is in substance a capital lease and therefore has been recorded at the present value of the future minimum lease payments as of the date of inception in the General Long-Term Debt Account Group.

\$ 60,319

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT NO. 5
Notes to the Financial Statements, Continued
December 31, 1998

The following is a summary of future minimum lease payments under the capital lease and present value of the net minimum lease payments as of December 31, 1998.

<u>YEAR ENDED DECEMBER 31,</u>	<u>TOTAL PAYMENTS</u>
1999	26,257
2000	28,644
2001	<u>7,161</u>
Total Minimum Lease Payments	\$62,062
Less: Amount Representing Interests	<u>(1,743)</u>
Present Value of Net Minimum Lease Payments	<u>\$60,319</u>

8. LITIGATION

According to legal council, there is one suit involving the purchase of equipment. The suit was decided in favor of the District; however, there has been an appeal. The District's legal council believes there is little likelihood of any liability on the part of the District.

9. YEAR 2000 COMPLIANCE (UNAUDITED)

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

The Gravity District No. 5 is significantly dependent on computerized systems for essential operations and to provide services to citizens. As a continuing process, the District is actively engaged in making necessary changes to its systems and equipment to achieve year 2000 compliance. Interfacing business partners are being surveyed to assess their compliance status and possible impact on district services. Other information technology projects have been re-prioritized and delayed when necessary to support continuing progress toward year 2000 compliance. These changes include system upgrades and equipment replacements. Contingency plans are also being considered.

SUPPLEMENTAL INFORMATION

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT NO. 5
Walker, Louisiana

Schedule of Per Diem Paid Board Members
For the Year Ended December 31, 1998

Achord, Bobby	\$ 350.00
Hall, Lester	500.00
Harris, Richard	550.00
Killcrease, Preston	550.00
Peak, Andy	<u>300.00</u>
	<u>\$2,250.00</u>