

Gravity Drainage District Five of Livingston Parish, Louisiana

Annual Financial Statements As of and for the Year Ended December 31, 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/18/04

LEROY J. CHUSTZ
Certified Public Accountant
A Professional Accounting Corporation

Livingston Parish Gravity Drainage District Five

**Annual Financial Statements
As of and for the Year Ended December 31, 2003
With Supplemental Information Schedules**

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Livingston Parish Gravity Drainage District Five

**Annual Financial Statements
As of and for the Year Ended December 31, 2003
With Supplemental Information Schedules**

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

**Board Members of
Livingston Parish Gravity Drainage District Five
Walker, Louisiana**

I have audited the accompanying basic financial statements of the **Livingston Parish Gravity Drainage District Five**, a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2003, as listed in the Table of Contents. These basic financial statements are the responsibility of **Livingston Parish Gravity Drainage District Five's** management. My responsibility is to express an opinion on these basic financial statements based on my audit.

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

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the **Livingston Parish Gravity Drainage District Five**, as of December 31, 2003, in conformity with accounting principles generally accepted in the United States of America..

In accordance with *Government Auditing Standards*, I have also issued my report dated April 2, 2004, on my consideration of the **Livingston Parish Gravity Drainage District Five's** internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the basic financial statements that collectively comprise the **Livingston Parish Gravity Drainage District Five's** basic financial statements. The accompanying required supplementary information, Parts I and II, as listed in the Table of Contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements of **Livingston Parish Gravity Drainage District Five**, but are required by the Governmental Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and I express no opinion on it.

My audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplemental information listed in the Table of Contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the **Livingston Parish Gravity Drainage District Five**. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Leroy J. Chustz
Certified Public Accountant
July 9, 2004

Required Supplemental Information (Part 1)
Management's Discussion and Analysis

**LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT FIVE
DENHAM SPRINGS, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2003**

This section of the Livingston Parish Gravity Drainage District Five's annual financial report presents our discussion and analysis of the District's financial performance for the year ended December 31, 2003. Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. Subsequent reports, however, will include comparative information.

Please read this document in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

1. The District's assets exceeded its liabilities at December 31, 2003 by \$1,234,310 or an increase of \$292,619 as a result of this year's operations.
2. Total revenues for 2003 increased by \$115,985 which is due mainly to the increase in sales tax revenues of \$117,302.
3. The District had cash and investments of \$829,958 at December 31, 2003 which represents an increase of \$201,131 from prior year end.
4. The District had taxes receivable of \$69,245 at December 31, 2003 which represents an increase of \$12,857 from prior year end.
5. The District had land, buildings, furniture and fixtures, and machinery and equipment assets net of accumulated depreciation of \$345,941 on December 31, 2003 which represents an increase of \$85,233 from prior year end. Depreciation expense for the year totaled \$55,412.
6. The District had capital asset purchases of \$140,645 for the year of 2003 which represents an increase of \$86,877 from prior year end.
7. The District's governmental expenses excluding depreciation increased \$44,497 for the year ended December 31, 2003 or an increase of 11% from prior year end.

**LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT FIVE
DENHAM SPRINGS, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2003**

OVERVIEW OF FINANCIAL STATEMENTS

These financial statements consist of three sections-Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

BASIC FINANCIAL STATEMENTS:

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the operations of the Gravity Drainage District Five of Livingston Parish as a whole and present a longer-term view of the current District finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets and the Statement of Activities report the District's net assets and changes in them. The net difference between the assets and liabilities measures the health of the District's finances. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating.

Fund financial statements include the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances. All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short term view of the District's general government operations and the basic services provided by the Drainage District. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's operations as well as what remains for the future expense needs.

**LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT FIVE
DENHAM SPRINGS, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2003**

Financial Analysis of the Entity:

**STATEMENT OF NET ASSETS
As of December 31, 2003**

Current and other assets	\$ 829,958
Receivables	69,245
Capital Assets (Net)	345,941
Deposits	<u>879</u>
 Total Assets	 <u>1,246,023</u>
 Current liabilities	 11,713
Long-term liabilities	<u>0</u>
 Total Liabilities	 <u>11,713</u>
 Net Assets:	
Investment in capital assets, net	345,941
Unrestricted	<u>888,369</u>
Total Net Assets	<u>\$ 1,234,310</u>

Net assets of the District increased by \$292,619 from the previous year or a 31% increase. The largest portion of the District's net assets consists of cash (73%) and capital assets (28%).

**LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT FIVE
DENHAM SPRINGS, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2003**

**CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2003**

Revenues:	
General Revenues:	
Sales Tax	\$ 785,401
Interest Earned	4,363
Gain on Sale of Fixed Assets	<u>5,429</u>
Total Revenue	<u>795,193</u>
Program Expenses:	
General Government	<u>502,574</u>
Total Expenses	<u>502,574</u>
Changes in Net Assets	292,619
Net Assets Beginning	<u>942,691</u>
Net Assets Ending	<u>\$1,234,310</u>

The District's total revenues increased by \$115,985 or 17% from the prior year. Expenses excluding depreciation increased by \$44,497 or 11% from the prior year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2003, the District had \$345,941, net of depreciation, invested in a broad range of capital assets (See table below). This amounts represents a net increase (including additions and deductions) of \$85,233.

**LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT FIVE
DENHAM SPRINGS, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2003**

**Capital Assets at Year-end
(Net of Depreciation)**

Land	\$ 17,000
Building and improvements	77,764
Machinery/Equipment	251,076
Furniture and Fixtures	<u>101</u>
Total	<u>\$345,941</u>

This year's major additions included building improvements of \$59,670 and machinery and equipment of \$80,975 or a total of \$140,645. There were no retirements this year.

Debt

For the year ended December 31, 2003, the District did not have any long-term debt.

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGET

Actual revenues were \$31,693 more than budgeted amounts due to an increase in sales tax revenues.

Actual expenditures were \$136,804 less than budgeted amounts due to the District not using the amounts budgeted for capital outlays.

ECONOMIC FACTOR'S AND NEXT YEAR'S BUDGET

The District's elected and appointed officials considered the following factors and indicators when setting next year's budget, rates and fees. These factors and indicators include:

1. Sales tax revenues
2. Projects under consideration
3. Replacement of old machinery and equipment
4. Increase in population
5. Staffing

**LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT FIVE
DENHAM SPRINGS, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2003**

**CONTACTING THE LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT'S
MANAGEMENT**

The financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the Livingston Parish Gravity Drainage Five District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Preston Killcrease, Chairman, Post Office 328, Walker, La 70785.

Basic Financial Statements
Government-Wide Financial Statements

Livingston Gravity Drainage District Five

Statement A

Statement of Net Assets
December 31, 2003

	<u>Governmental Activities</u>
Assets	
Cash & Cash Equivalents	\$ 760,743
Certificates of Deposit whose original maturity is greater than three months	69,215
Taxes Receivable	69,245
Capital Assets	838,186
Less: Accumulated Depreciation	-492,245
Deposit	879
Total Assets	<u>1,246,023</u>
Liabilities	
Accounts Payable	6,088
Accured Payroll Tax Liability	5,520
Garnishment Payable	106
Total Liabilities	<u>11,713</u>
Net Assets	
Invested in Capital Assets, Net	345,941
Unrestricted	888,369
Total Net Assets	<u>\$ 1,234,310</u>

See accompanying notes to the financial statements.

Livingston Gravity Drainage District Five

Statement B

**Statement of Activities
For the Year Ended December 31, 2003**

	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net Revenue (Expense) and Changes in Net Assets Governmental Activities</u>
Governmental Activities			
Personal Services and Related Benefits	\$ 231,238	\$ -	\$ 231,238
Operating Services	64,717	-	64,717
Depreciation Expense	55,412	-	55,412
Professional Services	25,501	-	25,501
Equipment Rental	10,643	-	10,643
Collection Costs	15,712	-	15,712
Insurance Expense	99,350	-	99,350
Total Governmental Activities	\$ <u>502,574</u>	\$ <u>-</u>	<u>502,574</u>
General Revenues			
Sales Tax Revenue			785,401
Interest Earned			<u>4,363</u>
Total General Revenues			<u>789,764</u>
Increase (Decrease) in Net Assets before other Debits / Credits			287,190
Other Financing Sources (Uses)			
Gain on the Sale of Fixed Assets			<u>5,429</u>
Change in Net Assets			292,619
Net Assets, Beginning of Year			<u>941,691</u>
Net Assets, End of Year			\$ <u><u>1,234,310</u></u>

See accompanying notes to the financial statements.

Basic Financial Statements
Fund Financial Statements
Governmental Fund Financial Statements

Livingston Gravity Drainage District Five

Statement C

Balance Sheet
Governmental Funds
December 31, 2003

	<u>General Fund</u>
Assets	
Cash & Cash Equivalents	\$ 760,743
Certificate of Deposit whose original maturities are greater than three months	69,215
Taxes Recievable (Net)	69,245
Deposits	879
Total Assets	<u>\$ 900,082</u>
Liabilities & Fund Balance	
Liabilities:	
Accounts Payable	\$ 6,088
Accrued Payroll Tax Liability	5,520
Garnishment Payable	106
Total Liabilities	<u>11,713</u>
Fund Balance:	
Unreserved	888,369
Total Liabilities & Fund Balance	<u>\$ 900,082</u>

See accompanying notes to the financial statements.

Livingston Gravity Drainage District Five

Statement D

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
December 31, 2003**

Total Fund Balances, Governmental Funds	\$ 888,369
 Amounts reported for governmental activities in the statement of net assets are different because:	
 Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
 Governmental capital assets, net of depreciation	 345,941
 Net Assets, Governmental Activities	 \$ <u>1,234,310</u>

See accompanying notes to the financial statements.

Livingston Gravity Drainage District Five

Statement E

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2003**

Revenues	General Fund
Sales Tax Revenue	\$ 785,401
Interest Earned	4,363
Sale of Fixed Assets	5,429
Total Revenues	<u>795,193</u>
Expenditures	
<i>Current Expenditures:</i>	
Personal Services and Related Benefits	231,238
Operating Services	64,717
Professional Services	25,501
Equipment Rental	10,643
Collection Costs	15,712
Insurance Expense	99,350
<i>Capital Outlay:</i>	
Capital Outlay	<u>140,645</u>
Total Expenditures	<u>587,806</u>
Excess Revenues (Expenditures) before other Debits / Credits	<u>207,387</u>
Fund Balance, Beginning of Year	<u>680,982</u>
Fund Balance, End of Year	<u>\$ 888,369</u>

See accompanying notes to the financial statements.

Livingston Gravity Drainage District Five

**Reconciliation of the Change in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2003**

Statement F

Total Net Change in Fund Balances, Governmental Funds	\$ 207,387
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. These differences consist of:

Capital outlay	140,645
Depreciation expense	-55,412

Change in Net Assets, Governmental Activities	\$ <u>292,619</u>
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See accompanying notes to the financial statements.

Basic Financial Statements
Notes to the Financial Statements

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT FIVE
Denham Springs, Louisiana
Notes to the Financial Statements
For the Year Ended December 31, 2003

INTRODUCTION

Livingston Parish Gravity Drainage District Five, Walker, Louisiana, was created by the Livingston Parish Police Jury (now the Livingston Parish Council), pursuant to the provisions of R.S. 38:1751, et. seq., of the Louisiana Revised Statutes of 1950.

The District is located in Walker, Louisiana. The purpose of the district is to provide maintenance services to drainage structures within the boundaries of the district. The District is composed of five board members who are appointed by the Parish Council of Livingston. Board members are compensated for meeting attendance at the rate of \$100.00 per meeting. The District serves portions of Walker and surrounding areas.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Livingston Parish Gravity Drainage District Five is considered a component unit of Livingston Parish Government. As a component unit, the accompanying financial statements are included within the reporting of the primary government, either blended into those financial statements or separately reported as discrete component units.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the Livingston Parish Gravity Drainage District Five. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The Livingston Parish Gravity Drainage District Five operates with only one governmental fund, the General Fund.

LIVINGSTON PARISH Gravity Drainage District Five
Notes to the Financial Statements, Continued
December 31, 2003

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Livingston Parish Gravity Drainage District Five's major source of revenue is Sales Tax on eligible sales within its district boundaries. The District's major source of expenditures is the cost of operation and maintenance of equipment and personnel used to maintain the drainage waterways in District Five of Livingston Parish.

C. Deposits and Investments

The entity's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Livingston Parish Gravity Drainage District Number Five's investment policy allow the entity to invest in collateralized certificates of deposits, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities.

D. Receivables and Payables

All trade and property tax receivables are shown net of an allowance for uncollectible. The District periodically evaluates the collectability of delinquent accounts. The District's experience has been that write-offs have been very low due to the nature of their revenue sources.

E. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements. The amount of inventory on hand at the District is minimal.

F. Capital Assets

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

LIVINGSTON PARISH Gravity Drainage District Five
Notes to the Financial Statements, Continued
December 31, 2003

<u>Description</u>	<u>Estimated Lives</u>
Infrastructure assets	25
Buildings and building improvements	40
Furniture and fixtures	5
Vehicles	5
Equipment	5-7

G. Compensated Absences

The Livingston Parish Gravity Drainage District Five provides various forms of compensated leave benefits to its employees. An employee can earn sick leave and vacation leave based upon the number of hours worked each pay period and years of continuous employment. The employees of the Livingston Gravity Drainage District Five must use all of the compensated leave by year end. At this time, the District has no provision for leave carryover, and if leave is not used at year end, it is lost. A leave accrual is not required in the District's financial statements because there is not a provision for carryover.

H. Fund Equity

In the government-wide financial statements, equity is reported as net assets and is segregated into three components. Those components are: amounts invested in capital assets (net of related debt), amounts restricted, and unrestricted net assets.

I. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the Livingston Parish Gravity Drainage District Five, which are either unusual in nature or infrequent in occurrence.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

2. CHANGES IN FIXED ASSETS

A summary of changes in fixed assets follows:

LIVINGSTON PARISH Gravity Drainage District Five
Notes to the Financial Statements, Continued
December 31, 2003

	<u>Balance at January 1, 2003</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at January 1, 2004</u>
Capital Assets, not being depreciated				
Land	\$ 17,000	\$ -	\$ -	\$ 17,000
Total Capital Assets, not being	<u>17,000</u>	<u>-</u>	<u>-</u>	<u>17,000</u>
Capital Assets, being depreciated				
Building	33,000	59,670	-	92,670
Less accumulated depreciation	<u>(13,956)</u>	<u>(949)</u>	<u>-</u>	<u>(14,906)</u>
Total Building	<u>19,044</u>	<u>58,721</u>	<u>-</u>	<u>77,764</u>
Machinery and equipment	646,814	80,975	-	727,789
Less accumulated depreciation	<u>(422,396)</u>	<u>(54,318)</u>	<u>-</u>	<u>(476,714)</u>
Total machinery and equipment	<u>224,418</u>	<u>26,657</u>	<u>-</u>	<u>251,075</u>
Furniture and fixtures	728	-	-	728
Less accumulated depreciation	<u>(482)</u>	<u>(145)</u>	<u>-</u>	<u>(627)</u>
Total Furniture, fixtures, and equipment	<u>246</u>	<u>(145)</u>	<u>-</u>	<u>101</u>
Total Capital Assets	697,542	140,645	-	838,187
Less accumulated depreciation	<u>(436,834)</u>	<u>(55,412)</u>	<u>-</u>	<u>(492,247)</u>
Total Capital Assets, being depreciated	<u>680,542</u>	<u>140,645</u>	<u>-</u>	<u>821,187</u>
Total Capital Assets, net	<u>\$ 260,708</u>	<u>\$ 85,233</u>	<u>\$ -</u>	<u>\$ 345,942</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.

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, 2003, with the related federal deposit insurance and pledged securities, if any:

Category 1 – Insured by FDIC or collateralized with securities held by the Board or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Board's name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Board's name; or collateralized with no written or approved collateral agreement.

LIVINGSTON PARISH Gravity Drainage District Five
Notes to the Financial Statements, Continued
December 31, 2003

<u>Type of Deposits</u>	<u>Total Bank Balance</u>	<u>Custody Credit Risk Category</u>			<u>Total Carrying Value</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Cash and Cash Equivalents	\$ 829,133	\$ 100,000	\$ 729,133		\$ 760,743
Certificates of Deposit (With original maturities in excess of three months)	68,822	68,822			69,215
Total Deposits	\$ 897,955	\$ 168,822	\$ 729,133		\$ 829,958

4. RECEIVABLES

A summary of receivables as of December 31, 2003, follows:

<u>CLASS OF RECEIVABLE</u>	<u>GENERAL</u>
Sales Tax	\$ 69,245
Total Receivable	\$ 69,245

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

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

5. PENSION PLAN AND RETIREMENT COMMITMENTS

The District's employees participate in the Federal Social Security program; thus, the District is required to remit an amount equal to the employee's contribution. For 2003, the current rate of contribution was 7.65% of gross pay. The District does not guarantee any of the benefits granted by the Federal Social Security program. None of the District's employees exceeded the Medicare ceiling this year.

6. LITIGATION

According to the District's attorney, there is no pending litigation against the Livingston Parish Gravity Drainage District Five as of December 31, 2003.

LIVINGSTON PARISH Gravity Drainage District Five
Notes to the Financial Statements, Continued
December 31, 2003

7. RESTATEMENTS

In 2003, the District implemented new reporting model standards GASB #34. As a result, beginning balances in the governmental fund financial statements are restated to include net capital assets. Restatement amounts are as follows:

Fund Balance as of January 1, 2003	\$ 680,983
Capital Assets (Net) as of January 1, 2003	<u>260,708</u>
Net Assets as Restated at January 1, 2003	<u>\$ 941,691</u>

8. COMPENSATION TO BOARD MEMBERS

Each member of the Board of Commissioners receives a per diem allowance for attending regular or special meetings of the Board, not to exceed 36 meetings in one calendar year. Each board member was paid \$75 per meeting attended in 2003 until September, 2003, when the Board voted to raise their compensation to \$100.00 per meeting. Per diem paid to board members is as follows:

	<u>AMOUNT</u>
Preston Killcrease	\$ 1,000
Richard Harris	1,000
Jimmy Dunlap	1,000
W.R. Huffman	<u>1,000</u>
Total	<u>\$ 4,000</u>

9. RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; employee health and life; and natural disasters. The Board manages these various risks of loss as follows:

LIVINGSTON PARISH Gravity Drainage District Five
Notes to the Financial Statements, Continued
December 31, 2003

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk Retained</u>
Torts, errors and omissions	Purchases commercial insurance	None
Injuries to employees (Workers' compensation)	Purchases commercial insurance	None
Physical property loss and natural disasters	Purchases commercial insurance	None
Health and life	Purchases commercial insurance	None

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Board. Settled claims have not exceeded this insurance coverage in any of the past three fiscal year.

Required Supplemental Information (Part II)

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Major Governmental Funds**

Livingston Gravity Drainage District Five

Schedule 1

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended December 31, 2003**

	Budgeted Amounts		Actual Amounts: GAAP Basis	Variance with Final Budget: Favorable (Unfavorable)
	Original	Final		
Revenues				
Sales Tax Revenue	\$ 670,000	\$ 750,000	\$ 785,401	\$ 35,401
Interest Earned	5,000	5,000	4,363	(637)
Sale of Fixed Assets	8,500	8,500	5,429	(3,071)
Total Revenues	<u>683,500</u>	<u>763,500</u>	<u>795,193</u>	<u>31,693</u>
Expenditures				
<i>Current Expenditures:</i>				
Personal Services and Related Benefits	219,300	234,500	231,238	3,262
Operating Services	85,270	87,110	64,717	22,393
Professional Services	4,000	30,000	25,501	4,499
Equipment Rental	1,000	7,000	10,643	(3,643)
Collection Costs	15,000	16,000	15,712	288
Insurance Expense	83,000	100,000	99,350	650
<i>Capital Outlay:</i>				
Capital Outlay	250,000	250,000	140,645	109,355
Total Expenditures	<u>657,570</u>	<u>724,610</u>	<u>587,806</u>	<u>136,804</u>
Excess Revenues (Expenditures)	<u>25,930</u>	<u>38,890</u>	<u>207,387</u>	<u>168,497</u>
Fund Balance, Beginning of Year	<u>680,982</u>	<u>680,982</u>	<u>680,982</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 706,912</u>	<u>\$ 719,872</u>	<u>\$ 888,369</u>	<u>\$ -</u>

Other Supplemental Information

**Livingston Parish Gravity Drainage District Five
Schedule of Findings
Year Ended December 31, 2003**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the basic financial statements of Livingston Parish Gravity Drainage District Five.
2. No reportable conditions were disclosed during the audit of the basic financial statements.
3. One instance of noncompliance was disclosed during the audit of the basic financial statements.
4. There were no federal awards received by Gravity Drainage District Five.

B. FINDINGS--FINANCIAL STATEMENTS AUDIT

Compliance and Internal Control

Finding 2003-1 Audit Report was not submitted on time.

Criteria -

The Gravity Drainage District Five is required by RS 24:513 to have their Financial Statements audited by a Certified Public Accountant no later than six months after the close of their fiscal year.

Condition -

The Drainage District did not supply all necessary documents to their auditor until after June 30, 2004. Consequently, the Drainage District's audit was not completed until after June 30, 2004.

Effect -

The Drainage District is in non-compliance with Louisiana Revised Statute 24-513.

Recommendation -

The District should supply their auditor with necessary documents to complete their audit in a timely manner.

Management Response -

Management acknowledges that documentation was not supplied to the auditing firm in a timely manner. Management will take the proper measures to ensure that audit documentation will be available on time in the future.

**Livingston Parish Gravity Drainage District Five
Status of Prior Year Findings
For The Year Ended December 31, 2003**

Internal Control and Compliance Material to the Financial Statements

No findings reported.

Internal Control and Compliance Material to Federal Awards

Not applicable.

Management Letter

No management letter findings.

Other Reports

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF THE BASIC FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Board Members of
Livingston Gravity Drainage District Five
Walker, Louisiana**

I have audited the basic financial statements of the **Livingston Gravity Drainage District Five**, a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2003, and have issued my report thereon dated April 23, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*.

Compliance

As part of obtaining reasonable assurance about whether the **Livingston Gravity Drainage District Five's** basic financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards* and the *Louisiana Governmental Audit Guide*. However, I noted other matters involving compliance that I have reported to the management of the Gravity Drainage District Number Five as Finding 2003-1.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the **Livingston Gravity Drainage District Five's** internal control over financial reporting to determine our auditing procedures for the purpose of expressing my opinion on the basic 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 basic 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. However, we noted other matters involving internal control over financial reporting that we have reported to management of the Parish in a separate letter dated June 3, 2004.

This report is intended for the information and use of the **Livingston Gravity Drainage District Five** and its management, the Louisiana Legislative Auditor and, the State of Louisiana, and is not intended to be, and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Leroy J. Chustz
Certified Public Accountant, APAC
July 9, 2004

LEROY J. CHUSTZ, CPA, APAC

P.O. BOX 158
DENHAM SPRINGS, LA 70727
225/667-2700
Fax: 225/667-3553
E-Mail RChustzCPA@aol.com

**Livingston Parish Gravity Drainage District Five
Walker, Louisiana**

In planning and performing my audit of the financial statements of Livingston Parish Gravity Drainage District Five, for the year ended December 31, 2003, I considered the District's internal controls in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls, improving operating efficiencies, and reducing expenses. The memorandum that accompanies this letter summarizes my comments and recommendations regarding those matters. I previously reported on the District's internal control in my report dated July 9, 2004. A separate report dated July 9, 2004, contains my report on reportable conditions in the District's compliance with laws and regulations. This letter does not affect my report dated July 9, 2004, on the financial statements of Livingston Parish Gravity Drainage District Five.

I will review the status of these comments during my next audit engagement. I have already discussed these comments with the various Parish personnel, and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Leroy J. Chustz

Leroy J. Chustz, CPA, APAC, CGFM
July 9, 2004

**Livingston Parish Gravity Drainage District Five
Management Comments
Year Ended December 31, 2003**

CURRENT YEAR COMMENTS

1. During the course of my audit procedures, I discovered the fourth quarter's 941 for 2003 was filed late. The return has now been filed and the District will now have to pay a late penalty to the IRS.
2. In my examination of expenditures, I found that the general liability insurance was tentatively cancelled by the insurance provider in November for lack of payment. The District should pay the insurance bills in a timely manner to prevent the District's assets from being placed at risk to accidents or torts.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Management's corrective action plan was not available at the time this report was issued.

GRAVITY DRAINAGE DISTRICT NO. 5

Post Office Box 328

Walker La. 70785

Telephone - (225) 664-1899

July 9, 2004

Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

In reference to the financial statement and compliance audit of the Livingston Parish Gravity Drainage District Five as of and for the year then ended December 31, 2003, our response to the findings and matters concerning compliance and internal controls are as follows:

Finding 2003-1 and Management Comments 1 & 2

The Livingston Gravity Drainage District Five has undergone some difficulties with the accounting personnel and is now developing a comprehensive plan to assign accounting responsibilities to competent persons. The Board of the Gravity Drainage District Five feels these actions will remedy the problems of timely report filling, invoice processing and audit completion.

If you have any questions pertaining to the District's corrective action plan please contact Chairman Preston Killcrease through the District office located at P.O. Box 328 Walker, Louisiana 70785.

Sincerely,



Preston Killcrease
Chairman of the Board