

LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT FIVE

REPORT ON AUDIT OF COMPONENT
UNIT FINANCIAL STATEMENTS

DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Livingston Parish Gravity Drainage
District Five
Livingston Parish Council
Walker, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund (the General Fund), and the budgetary comparison statement of the General Fund of the Livingston Parish Gravity Drainage District Five, “the District,” a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Modified Opinion

As described in Note 11 to the financial statements, management has not recorded an estimated expenditure, liability, revenue or receivable related to Hurricane Gustav debris removal services received under a cooperative endeavor agreement between the Livingston Parish Council and the Livingston Parish Gravity Drainage District Five. Documentation related to the costs associated with these services has not been provided by the Livingston Parish Council or the debris removal contractors for management to be able to estimate and record the estimated amounts in the financial statements.

Accounting principles generally accepted in the United States of America require that an adequate estimate be reported in the financial statements for receivables, liabilities, revenues and expenditures to account for the debris removal services and the associated grant reimbursements. The amount by which this departure would affect the assets, liabilities, fund balances, net position, revenues, and expenditures of the Government-Wide and the General Fund is not reasonably determinable as sufficient documentation was not available to adequately estimate the financial transactions.

Opinions

In our opinion, except for the effect of the matter described in the “Basis for Modified Opinion” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund (the General Fund) of the Livingston Parish Gravity Drainage District Five as of December 31, 2017, and the budgetary comparison statement of the General Fund and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Livingston Parish Gravity Drainage District Five’s December 31, 2016 financial statements, and we expressed a modified opinion on those audited financial statements in our report dated June 26, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis information on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with

management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 25, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

Hannu L. Bourgeois, CPA

Denham Springs, Louisiana
June 25, 2018

Livingston Parish Gravity Drainage
District Five
Walker, Louisiana
Management's Discussion and Analysis
December 31, 2017

Introduction

The Livingston Parish Gravity Drainage District Five (the District) is pleased to present its Annual Financial Statements developed in compliance with Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments (GASB 34), as amended, and related standards.

The District's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position, (d) identify any significant variations from the District's financial plan, and (e) identify individual fund issues or concerns.

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the District's financial statements in this report.

Financial Highlights

At December 31, 2017, the District's assets exceeded its liabilities by \$3,888,244 (net position). Of this amount, \$2,568,757 (unrestricted net position) may be used to meet the District's ongoing obligations to its citizens.

For the year ended December 31, 2017, the District's total net position increased by \$371,314.

At December 31, 2017, the District's general fund reported an ending fund balance of \$2,575,278, a decrease of \$12,802 for the year.

At December 31, 2017, the District had cash and cash equivalents of \$1,314,904 and investments of \$922,443, including \$606,649 in the Louisiana Asset Management Pool and certificates of deposit of \$315,794, which represents a net increase in cash and investments of \$67,638 from the prior year.

For the year ended December 31, 2017, the District had capital asset additions of \$524,531 and disposals of \$173,872 on the government-wide financials and depreciation expense of \$132,261.

Overview of the Annual Financial Report

The financial statement focus is on both the District as a whole and on the major individual fund. Both perspectives, government-wide and the major fund, allow the user to address relevant questions, broaden a basis for comparison, and enhance the District's accountability. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The MD&A is intended to serve as an introduction to the District's basic financial statements, which consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The Statement of Net position presents information on the District's assets and liabilities using the accrual basis of accounting, in a manner similar to the accounting used by private business enterprises. The difference between the assets and liabilities is reported as net position. Over time, the increases or decreases in net position and changes in the components of net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year, focusing on both the gross and net costs of various activities that are supported by the District's general tax and other revenues. This is intended to summarize and simplify the reader's analysis of the cost of various governmental services.

The District's activities are presented as Governmental activities.

- Governmental activities - The District's basic services are reported here. These activities are financed primarily by sales taxes.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related and legal requirements. The District uses a governmental fund to account for financial transactions. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

Governmental funds are used to account for most of the District's basic services. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using the modified accrual basis of 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 it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, there are differences in the information presented for governmental funds and for governmental activities in the government-wide financial statements. Review of these differences provides the reader of the financial statements insight on the long-term impact of the District's more immediate decisions on the current use of financial resources.

Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. The following table provides a summary of the District’s net position for the current year as compared to the prior year.

**Net Position
As of December 31, 2017 and 2016**

	Governmental Activities	
	2017	2016
Assets:		
Current and Other Assets	\$ 2,603,362	\$ 2,670,491
Capital Assets	1,319,487	933,801
Total Assets	3,922,849	3,604,292
Liabilities:		
Other Liabilities	28,084	82,411
Compensated Absences Payable	6,521	4,951
Total Liabilities	34,605	87,362
Net Position:		
Net Investment in Capital Assets	1,319,487	933,801
Unrestricted	2,568,757	2,583,129
Total Net Position	\$ 3,888,244	\$ 3,516,930

Approximately 34 percent of the District’s net position reflects its net investment in capital assets net of any outstanding related debt used to acquire those capital assets. These capital assets are used to provide services to citizens and do not represent resources available for future spending. Although the District’s investment in its capital assets is reported net of related debt, if any, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities. There was no long term debt on capital assets at December 31, 2017.

Approximately 66 percent of the District’s net position is unrestricted and may be used to meet the District’s ongoing obligations to its citizens.

At the end of the current fiscal year, the District was able to report positive balances in all categories of net position, both for the District as a whole, as well as for separate governmental activities. The same held true for the prior fiscal year.

The District's activities increased its total net position by \$371,314. In order to further understand what makes up the changes in net position, the following table provides a summary of the results of the District's activities for the current year as compared to the prior year. An analysis of the primary sources of these changes follows the table. For more detailed information, see the Statement of Activities in this report.

**Changes in Net Position
For the years ended December 31, 2017 and 2016**

	Governmental Activities	
	2017	2016
Revenues:		
General Revenues:		
Sales Taxes	\$ 1,953,130	\$ 2,117,988
Interest Income	8,673	5,518
Miscellaneous Income	24,287	16,704
Gain (Loss) on Sale of Assets	45,841	15,665
Total Revenues	2,031,931	2,155,875
Expenses:		
Public Works	1,660,617	1,519,948
Total Expenses	1,660,617	1,519,948
Change in Net Position	371,314	635,927
Net Position, Beginning	3,516,930	2,881,003
Net Position, Ending	\$ 3,888,244	\$ 3,516,930

Governmental Activities

Revenues for governmental activities decreased by \$123,944 or 6 percent, due primarily to a decrease in sales tax revenue of \$164,858 or eight percent (primarily from decreases in sales subject to sales tax), a decrease in insurance settlement proceeds of \$15,665, and an increase in gain on the sale of capital assets of \$30,176. Sales tax revenues represent 96 percent of the District's total revenues.

On October 28, 2013, the District passed a resolution requesting an election to be held on April 5, 2014. The purpose of the election was to renew the one half of one percent sales tax for a period of ten years for acquiring drainage works, equipment and facilities necessary to construct, maintain, and operate outlets for the water of the District, and prevent flooding. The sales tax was renewed and will expire in 2025.

Expenses increased by 9 percent or \$140,669, with the greatest increase consisting of salaries expense at \$70,482. Other increases included health insurance and HRA expense \$44,531, and depreciation expense \$29,601. Equipment rental expense decreased \$17,238.

This follows a three and a half percent increase in total expense in 2016 and a one percent increase in 2015.

Fund Financial Analysis

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the year.

The general fund is the only fund of the District. At the end of the current year, the total fund balance for the general fund was \$2,575,278. Of this amount, \$58,428 was considered nonspendable under GASB 54 fund balance and \$2,516,850 was unassigned. Total fund balance represented 126 percent of total general fund expenditures.

General Fund Budgetary Highlights

There were no funds that had actual revenues and other sources under budgeted revenues and other sources or actual expenditures and other uses over budgeted amounts resulting in unfavorable variances greater than five percent in accordance with the Local Government Budget Act for the fiscal year ended December 31, 2017.

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets as of December 31, 2017 amounts to \$1,319,487 (net of depreciation). The total increase in the District's investment in capital assets for the current fiscal year was \$385,686 (net of depreciation).

The following table provides a summary of the District’s capital assets (net of depreciation) at the end of the current year as compared to the prior year. For more detailed information, see Note 5 of the financial statements.

**Capital Assets (Net of Depreciation)
As of December 31, 2017 and 2016**

Capital Assets	Governmental Activities	
	2017	2016
Land and Right of Way	\$ 73,878	\$ 73,878
Buildings and Improvements	310,772	310,772
Machinery and Equipment	1,804,837	1,454,178
Furniture and Fixtures	22,675	22,675
Infrastructure	226,879	226,879
Vehicles	382,073	382,073
Subtotal Capital Assets	2,821,114	2,470,455
Less: Accumulated Depreciation	(1,501,627)	(1,536,654)
Capital Assets, Net	\$ 1,319,487	\$ 933,801

Capital asset additions included \$237,252 for three John Deere tractors, \$148,970 for two excavators, \$101,173 for two mowers, \$26,900 for a lowboy trailer, \$5,196 for a bush hog, \$4,240 for a welding machine, and \$800 for a diesel tank and pump.

Capital asset disposals included three tractors with a cost of \$88,782 that were fully depreciated; an excavator with a cost of \$79,008 and accumulated depreciation of \$72,424; and a rotary cutter with a cost of \$6,082 that was fully depreciated.

Contacting the District’s Financial Management

This financial report is designed to provide the District’s citizens, taxpayers, creditors and investors with a general overview of the District’s finances and show the District’s accountability for the money it receives. Questions regarding this report or requests for additional information should be addressed to the Livingston Parish Gravity Drainage District Five, 32030 Avants Road, Post Office Box 328, Walker, LA 70785.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT FIVE**

STATEMENT OF NET POSITION

DECEMBER 31, 2017
(With Comparative Totals as of December 31, 2016)

	Governmental Activities	
	2017	2016
ASSETS		
Cash and Cash Equivalents	\$ 1,314,904	\$ 1,255,095
Investments	922,443	914,614
Receivables:		
Intergovernmental	306,708	440,503
Prepaid Expenses	58,428	59,400
Other Assets	879	879
Capital Assets:		
Non-depreciable	73,878	73,878
Depreciable, Net	1,245,609	859,923
Total Assets	\$ 3,922,849	\$ 3,604,292
LIABILITIES		
Accounts Payable	\$ 7,813	\$ 25,355
Other Accrued Liabilities	20,271	57,056
Compensated Absences Payable	6,521	4,951
Total Liabilities	34,605	87,362
NET POSITION		
Net Investment in Capital Assets	1,319,487	933,801
Unrestricted	2,568,757	2,583,129
Total Net Position	3,888,244	3,516,930
Total Liabilities and Net Position	\$ 3,922,849	\$ 3,604,292

The accompanying notes constitute an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT FIVE**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)

	Governmental Activities	
	2017	2016
Expenses:		
Public Works	\$ 1,528,356	\$ 1,417,288
Depreciation	132,261	102,660
Total Expenses	1,660,617	1,519,948
 General Revenues:		
Taxes - Sales	1,953,130	2,117,988
Interest Income	8,673	5,518
Miscellaneous Income	24,287	16,704
Gain (Loss) on Sale of Assets	45,841	15,665
Total General Revenues	2,031,931	2,155,875
Change in Net Position	371,314	635,927
 Net Position - Beginning of Year	3,516,930	2,881,003
Net Position - End of Year	\$ 3,888,244	\$ 3,516,930

The accompanying notes constitute an integral part of this statement.

FUND FINANCIAL STATEMENTS

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT FIVE**

BALANCE SHEET - GENERAL FUND

DECEMBER 31, 2017
(With Comparative Totals as of December 31, 2016)

	General Fund	
	2017	2016
ASSETS		
Cash and Cash Equivalents	\$ 1,314,904	\$ 1,255,095
Investments	922,443	914,614
Sales Tax Receivable, Net of Collection Fees	306,708	440,503
Prepaid Insurance	58,428	59,400
Other Assets	879	879
Total Assets	\$ 2,603,362	\$ 2,670,491
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 7,813	\$ 25,355
Accrued Salaries	9,321	7,043
Other Liabilities	10,950	50,013
Total Liabilities	28,084	82,411
Fund Equity:		
Nonspendable:		
Prepaid Expenses	58,428	59,400
Unassigned	2,516,850	2,528,680
Total Fund Balances	2,575,278	2,588,080
Total Liabilities and Fund Balances	\$ 2,603,362	\$ 2,670,491

The accompanying notes constitute an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT FIVE**

RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2017
(With Comparative Totals as of December 31, 2016)

	2017	2016
Fund Balance - Total Governmental Fund	\$ 2,575,278	\$ 2,588,080
<p>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund</p>		
Governmental Capital Assets	2,821,114	2,470,455
Less: Accumulated Depreciation	(1,501,627)	(1,536,654)
	1,319,487	933,801
<p>Long term liabilities are not due and payable in the current period and therefore not reported in the governmental fund:</p>		
Compensated Absences	(6,521)	(4,951)
Net Position of Governmental Activities	\$ 3,888,244	\$ 3,516,930

The accompanying notes constitute an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT FIVE**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)

	General Fund	
	2017	2016
Revenues:		
Sales Tax Collected	\$ 1,953,130	\$ 2,117,988
Interest	8,673	5,518
Miscellaneous Income	24,287	16,704
Total Revenues	1,986,090	2,140,210
Expenditures:		
Public Works:		
Salaries	744,055	673,573
Benefits	329,238	288,792
Payroll Taxes	59,542	53,844
Per Diem - Board Members	10,400	11,100
Sales Tax Collection Fees	35,756	37,946
Contract Labor	-	1,250
Insurance	152,928	150,660
Other Operating Expenses	21,401	19,943
Professional Fees	38,484	33,208
Equipment Rental	-	17,238
Repairs and Maintenance	53,032	51,935
Supplies	27,541	29,868
Utilities	19,156	17,757
Vehicle	35,253	30,423
	1,526,786	1,417,537
Capital Outlay	524,531	126,645
Total Expenditures	2,051,317	1,544,182
Excess (Deficiency) of Revenues Over Expenditures	(65,227)	596,028
Other Financing Source:		
Proceeds from Sale of Capital Asset	52,425	15,665
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	(12,802)	611,693
Fund Balance at Beginning of Year	2,588,080	1,976,387
Fund Balance at End of Year	\$ 2,575,278	\$ 2,588,080

The accompanying notes constitute an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT FIVE**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)

	2017	2016
Net Change in Fund Balance - Total Governmental Fund	\$ (12,802)	\$ 611,693
<p>Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the difference between capital outlays and depreciation in the period:</p>		
Capital Outlays	524,531	126,645
Depreciation Expense	(132,261)	(102,660)
	392,270	23,985
Add accumulated depreciation on capital assets retired during the year	167,288	46,155
Less cost basis of capital assets retired during the year	(173,872)	(46,155)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:</p>		
(Increase) Decrease in Compensated Absences Payables	(1,570)	249
Change in Net Position of Governmental Activities	\$ 371,314	\$ 635,927

The accompanying notes constitute an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT FIVE**

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

FOR THE YEAR ENDED DECEMBER 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Sales Tax Collected	\$ 1,820,000	\$ 1,567,410	\$ 1,953,130	\$ 385,720
Interest	500	618	8,673	8,055
Miscellaneous Income	-	24,287	24,287	-
Total Revenues	1,820,500	1,592,315	1,986,090	393,775
Expenditures:				
Public Works:				
Salaries	735,000	750,000	744,055	5,945
Benefits	300,000	335,000	329,238	5,762
Payroll Taxes	75,000	75,000	59,542	15,458
Per Diem - Board Members	12,500	12,500	10,400	2,100
Sales Tax Collection Fees	70,000	70,000	35,756	34,244
Insurance	160,000	170,000	152,928	17,072
Other Operating Expenses	34,500	34,500	21,401	13,099
Professional Fees	80,000	80,000	38,484	41,516
Equipment Rental	20,000	20,000	-	20,000
Repairs and Maintenance	70,000	70,000	53,032	16,968
Supplies	34,500	34,500	27,541	6,959
Utilities	20,000	22,000	19,156	2,844
Vehicle	70,000	70,000	35,253	34,747
	1,681,500	1,743,500	1,526,786	216,714
Capital Outlay	700,000	750,000	524,531	225,469
Total Expenditures	2,381,500	2,493,500	2,051,317	442,183
Excess (Deficiency) of Revenues Over Expenditures	(561,000)	(901,185)	(65,227)	835,958
Other Financing Source:				
Proceeds from Sale of Capital Asset	-	52,425	52,425	-
Net Change in Fund Balance	(561,000)	(848,760)	(12,802)	835,958
Fund Balance at Beginning of Year	2,588,080	2,588,080	2,588,080	-
Fund Balance at End of Year	<u>\$ 2,027,080</u>	<u>\$ 1,739,320</u>	<u>\$ 2,575,278</u>	<u>\$ 835,958</u>

The accompanying notes constitute an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT FIVE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

(1) Summary of Significant Accounting Policies and Nature of Operations -

Livingston Parish Gravity Drainage District Five “the District” is a corporate body created by the Livingston Parish Council, as provided by Louisiana Revised Statutes R.S. 38:1751, et. seq. The District is governed by a board of five commissioners. The board members are compensated for meeting attendance at a rate of \$100 per meeting. The District is located in Walker, Louisiana.

On January 15, 2005, an election was held whereby the voters of Livingston Parish Gravity Drainage District Five approved the renewal of a ½% sales and use tax for ten years which expired in 2015 for the purpose of “constructing, improving and maintaining drainage facilities within and for the district and purchasing necessary equipment.”

On August 5, 2014, an election was held whereby the voters of Livingston Parish Gravity Drainage District Five approved the renewal of the one half of one percent sales tax for a period of ten years for “acquiring drainage works, equipment and facilities necessary to construct, maintain, and operate outlets for the water of the District, and prevent flooding.”

The District’s taxes are collected by the Livingston Parish School Board and are remitted to the District monthly. The District pays the School board a fee for this service.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (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, 2017, 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 which are controlled by or dependent on the 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 responsibility.

In accordance with Governmental Accounting Standards Board, Statement 61, the 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 maintained by the District and do not present information on the Council and the general government services provided by that governmental unit.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT FIVE**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

B. Basis of Presentation

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major fund). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. There were no activities of the District categorized as a business-type activity.

Basic Financial Statements - Government-Wide Statements

In the government-wide Statement of Net Position, the governmental activity column (a) is presented on a consolidated basis by column, (b) and is reported on a full accrual, economic resource basis.

The government-wide Statement of Activities reports both the gross and net cost of the District's functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants reflects capital-specific grants. The District does not have any program revenues, operating grants, or capital grants.

The net costs (by function) are normally covered by general revenue (taxes, interest and investment earnings, etc.).

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Basic Financial Statements - Fund Financial Statements

The financial transactions of the District are reported in an individual fund in the fund financial statements. This fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. This fund is reported by generic classification within the financial statements.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT FIVE**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

The District uses the following fund type:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the District:

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. At December 31, 2017, it is the only fund of the District.

C. Basis of Accounting and Measurement Focus

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

1. Accrual -

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Revenues of the District consist principally of sales taxes and interest income. Interest income is recorded when earned. Sales taxes are recorded as revenues when the underlying transaction occurs and meets the availability criteria.

2. Modified Accrual -

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means that the amount of the transaction can be determined and "available" means that the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A sixty day availability period is used for revenue recognition for all governmental fund type revenues. Expenditures are recorded when the related fund liability is incurred. Depreciation is not recognized in the Governmental Fund Financial Statements.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT FIVE**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

D. Deposits and Investments

The District'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 District's investment policy allow the District to invest in collateralized certificates of deposit, government-backed securities, commercial paper, the state-sponsored investment pool, and mutual funds consisting solely of government-backed securities.

E. Receivables and Revenues

Sales and use taxes receivable are reported net of collection cost charged by the Livingston Parish School Board for collecting the tax on behalf of the District. Sales tax revenue and receivable are recorded in the month collected by the vendor.

F. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. Capital Assets

Capital assets, which include property, equipment, and vehicles, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The district maintains a threshold level of \$500 or more for capitalizing 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:

Buildings and Improvements	10 to 40 years
Machinery and Equipment	5 to 12 years
Furniture and Fixtures	5 years
Infrastructure	20 years
Vehicles	5 to 10 years

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT FIVE**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

H. Budgetary Practices

The District utilizes the following budgetary practices:

1. The District Clerk prepares a proposed budget and submits same to the Chairman and Board of Commissioners no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving the increase in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Commissioners.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. A Budget for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Accordingly, the budgetary comparison schedules present actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. All budgetary amounts presented reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

For the fiscal year ended December 31, 2017, actual revenues were above final budgeted appropriation and actual expenditures were below final budgeted appropriations in variances within the 5% statutory guidelines, and there were no violations of the Louisiana Local Budget Act.

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 and expenses during the reporting period. Actual results could differ from those estimates.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT FIVE**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

J. Encumbrances

Encumbrances outstanding at year end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. The Governmental Fund's budget is maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and contracts (encumbrances) issued for goods or services not received at year end.

The actual results of operations are presented in accordance with GAAP and the Commission's accounting policies do not recognize encumbrances as expenditures until the period in which the goods or services are actually received and a liability is incurred. At December 31, 2017, the District had no outstanding encumbrances.

K. Accumulated Unpaid Vacation and Sick Pay

The District has the following policy related to vacation and sick leave:

Vacation is earned from the first day of employment but cannot be taken until after the first year of employment. Full time employees with one to seven years of continuous employment receive ten working days of paid vacation each year. Employees with eight to seventeen years of continuous employment receive fifteen working days of paid vacation each year. Employees with eighteen or more years of continuous service receive twenty working days of paid vacation each year. Employees may carry over one week of accrued vacation time to the following year. However, any vacation will be forfeited if not taken after June 30th of the following year. If termination occurs after six months of continuous service, the terminated employee shall receive payment for the unused vacation earned. As of December 31, 2017, the accrued liability for unpaid vacation benefits amounted to \$6,521.

Full time employees with one to three years of continuous service may earn ten days of sick leave per year. Employees with three to ten years of service earn fifteen days of sick leave per year. Employees with ten or more years of service earn twenty days of sick leave per year. Unused sick leave can be accumulated to a maximum of 320 hours. Unused sick leave cannot be paid out to employees upon termination.

In accordance with GASB-16, Accounting for Compensated Absences, no liability has been accrued for unused employee sick leave.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT FIVE**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

L. Net Position

Net position represents the difference between assets and liabilities. The net investment in capital assets component of net position consists of capital asset costs, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvements of those assets.

M. Summary Financial Information for 2016

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient details to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

N. Fund Equity

The District implemented the provisions of Governmental Accounting Standards Board Statement No. 54 which redefined how fund balances are presented in fund financial statements. In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of the state or federal laws, or externally imposed conditions by grantors or creditors.

Committed - Amounts that can only be used for specific purposes determined by a formal action of the District board. These amounts cannot be used for any other purpose unless the District board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed.

Assigned - Amounts that are designated as committed by the District board but are not spendable until a budget ordinance is passed.

Unassigned - All amounts not included in other spendable classifications. The District board has not adopted a policy to maintain the general fund's unassigned fund balance above a certain minimum level.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT FIVE**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

The details of the fund balances are included in the Balance Sheet - General Fund (page 12). As noted above, restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the District board or the assignment has been changed by the District board. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned becomes zero, then Assigned and Committed Fund Balances are used in that order.

(2) Cash and Cash Equivalents -

For reporting purposes, cash and cash equivalents include cash, demand deposits, and time certificates of deposit with original maturity dates of 90 days or less. 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.

Cash and cash equivalents 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. The following is a summary of cash and cash equivalents and investments at December 31, 2017:

	Book Balance	Bank Balance
Petty Cash	\$ 250	\$ -
Deposits in Bank Accounts	1,314,654	1,321,713
	\$ 1,314,904	\$ 1,321,713

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. To mitigate this risk, state law requires for these deposits (or the resulting bank balances) to be secured by federal deposit insurance or the pledge of securities 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 bank. These 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. The pledged securities are deemed by Louisiana State Law to be under the control and possession and in the name of the District regardless of its designation by the financial institution in which it is deposited. As of December 31, 2017, none of the District's bank balance of \$1,321,713 was exposed to custodial credit risk.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT FIVE**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(3) Investments -

Investments at December 31, 2017, consist of \$315,794 in certificates of deposits with original maturity dates greater than 90 days which are stated at cost which approximates market. Investments in nonparticipating interest-earning contracts, such as nonnegotiable certificates of deposits with redemption terms that do not consider market rates, are reported using a cost-based measure which is permitted per GASB Statement No. 31. Investments also consist of \$606,649 in the Louisiana Asset Management Pool (LAMP), a local government external investment pool. The LAMP investment is stated at the value of the pool shares, which is the same as the fair value which is permitted per GASB Statement No. 59.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955.

LAMP is a 2a7 - like investment pool. The following facts are relevant for 2a7 like investment pools:

- **Credit risk**: LAMP is rated AAAM by Standards and Poor's.
- **Custodial credit risk**: In the case of LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required. In the case of certificates of deposit, this is the risk that in the event of a bank failure, the District's investments may not be returned to it. As of December 31, 2017, none of the District's investments in certificates of deposits of \$315,794 was exposed to custodial credit risk because it was fully insured.
- **Concentration of credit risk**: Pooled investments are excluded from the five percent disclosure requirement.
- **Interest rate risk**: 2a7-like investment pools are excluded from this disclosure requirement per paragraph 15 of the GASB 40 statement. The District does not have a formal investment policy that limits investments' maturities as a means of managing its exposure to fair value arising from increasing interest rates.
- **Foreign currency risk**: Not applicable to 2a7-like pools.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT FIVE**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days.

LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company. LAMP, Inc., issues an annual publicly available financial report that includes financial statements and required supplementary information for LAMP, Inc. That report may be obtained by writing to LAMP, Inc., 228 St. Charles Avenue, Suite 1123, New Orleans, Louisiana 70130, or by calling (800) 249-5267.

(4) Receivables -

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts are based upon historical trends and the period aging and write-off of accounts receivable. The major receivable balance for the governmental activities is from sales tax.

In the fund financial statements, the material receivable in governmental funds also includes a revenue accrual for sales tax, since it is both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded only if paid within 60 days, since they would be considered both measurable and available. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging and write-off of accounts receivable.

The Governmental Fund receivables at December 31, 2017 consist of the following:

	<u>General Fund</u>
Governmental Receivables:	
Sales Tax Receivable	\$ 306,708
	<u> </u>

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT FIVE**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(5) Changes in Capital Assets -

Capital asset activity for the year ended December 31, 2017 is as follows:

<u>Governmental Activities</u>	<u>Balance December 31, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2017</u>
Capital Assets not being Depreciated:				
Land and Right of Way	\$ <u>73,878</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>73,878</u>
Total Capital Assets not being Depreciated	73,878	-	-	73,878
Capital Assets being Depreciated:				
Building and Improvements	310,772	-	-	310,772
Equipment	1,454,178	524,531	(173,872)	1,804,837
Furniture and Fixtures	22,675	-	-	22,675
Infrastructure	226,879	-	-	226,879
Vehicles	<u>382,073</u>	<u>-</u>	<u>-</u>	<u>382,073</u>
Total Capital Assets being Depreciated	2,396,577	524,531	(173,872)	2,747,236
Less Accumulated Depreciation for:				
Buildings and Improvements	107,189	8,791	-	115,980
Equipment	1,182,278	79,601	(167,288)	1,094,591
Furniture and Fixtures	22,272	403	-	22,675
Infrastructure	2,363	11,344	-	13,707
Vehicles	<u>222,552</u>	<u>32,122</u>	<u>-</u>	<u>254,674</u>
Total Accumulated Depreciation	<u>1,536,654</u>	<u>132,261</u>	<u>(167,288)</u>	<u>1,501,627</u>
Total Capital Assets being Depreciated, Net	<u>859,923</u>	<u>392,270</u>	<u>(6,584)</u>	<u>1,245,609</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 933,801</u>	<u>\$ 392,270</u>	<u>\$ (6,584)</u>	<u>\$1,319,487</u>

Depreciation expense for the year ended December 31, 2017 is \$132,261, as reported in the Statement of Activities.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT FIVE**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(6) Long-Term Debt -

The Livingston Parish Gravity Drainage District Five has no long-term debt transactions for the year ended December 31, 2017.

(7) Leases -

The District has no outstanding capital or operating leases at December 31, 2017.

(8) Litigation -

At December 31, 2017, there is no litigation pending against the District.

(9) Compensated Absences, Pension Plan, and Other Postemployment Benefits -

At December 31, 2017, the employees of the District have accumulated and vested \$6,521 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. The District has no plan or provision for other post-employment benefits.

Effective January 1, 2009, the District changed to a new IRC 403 (b) plan administered by Expert Plan in order to comply with a law change requiring written plan documents for 2009. Under the new plan, as with the old plan, there is no written guaranteed employer contribution. However, it is the District's current intention to continue similar timing for discretionary plan contributions based on a percentage of employee contributions determined by the Board. Retirement expense at December 31, 2017 was \$19,992.

(10) Per Diem Paid Board Members -

All of the Board of Commissioners receive a monthly per diem of \$100 per month for attending each regular or special meeting of the board. All Board Members serve five year terms. Per diems paid to the board members for 2017 were as follows:

Preston Killcrease, Chairman	\$ 1,100
Robert Huffman, Jr., Vice Chairman	2,400
Richard Harris, Treasurer	2,400
Brent Clayton	2,400
Jimmy Dunlap	<u>2,100</u>
	<u>\$10,400</u>

(11) Contingency -

On September 25, 2008, the District entered into a Cooperative Endeavor Agreement (CEA) with the Livingston Parish Council (LPC) in accordance with Article VII Section 14 and Article VI Section 20 of the Louisiana Constitution. The purpose of the CEA was for the District to use the services of the contractor hired by the LPC for debris cleanup caused by Hurricane Gustav and to

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT FIVE**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

foster greater economy and efficiency than the District hiring its own debris cleanup contractor. According to the CEA, the LPC's debris contractor would remove all debris located within the confines of the District in accordance with the "Debris Removal Agreement" between the LPC and the contractor, and only the debris or areas that the District authorized the contractor to cleanup. According to the terms of the CEA, the District agreed to pay all cost related to the debris removal within the boundaries of its District including any cost declared ineligible for reimbursement by the Federal Emergency Management Agency (FEMA).

The contractor performed debris cleanup services from September 25, 2008 through approximately May 13, 2009, which is the date the LPC's President stopped all debris removal services being performed by the contractor. The total cost of the debris removal services performed by all contractors is the subject of a dispute between the LPC, the debris contractors and FEMA. As of date of the report, the District has not received detailed invoices to be able to determine the total liability that the District may owe under the terms of the CEA. Due to management not having the necessary invoice documentation to review and approve the debris removal costs associated with services performed within the boundaries of the District along with unresolved matters under dispute between the debris contractors, LPC and FEMA, management is not able to reasonably estimate a liability or estimate the receivable due from FEMA, if any, to record in these financial statements. Although no cost or invoice documentation has been provided to the District, management believes the liability owed and federal reimbursement receivable will likely be material to these financial statements.

(12) Schedule of Compensation, Benefits and Other Payments to Agency Head -

In accordance with Louisiana Revised Statute 24:513A, the following is a Schedule of Compensation and Benefits received by Preston Killcrease, Board Chairman, who was the acting agency head for the year ended December 31, 2017:

	<u>Preston Killcrease</u>
Salary	\$ -
Benefit Retirement	-
Benefit Insurance	-
Per Diem	1,100
Employer Paid Medicare & Social Security	84
Travel Reimbursements	-
Conferences	-
Meals	-
Total Compensation	<u>\$ 1,184</u>

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT FIVE**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(13) Current Accounting Pronouncements -

In November 2016, the Governmental Accounting Standards Board issued GASB Statement No 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT FIVE**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

In March 2017, the Governmental Accounting Standards Board issued GASB Statement No 85, Omnibus 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and "negative" goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No 86, Certain Debt Extinguishment Issues. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT FIVE**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or, if applied to earlier periods, the beginning of the earliest period restated). However, lessors should not restate the assets underlying their existing sales-type or direct financing leases. Any residual assets for those leases become the carrying values of the underlying assets.

Management is currently evaluating the effects of each of the new GASB pronouncements.

(14) Subsequent Events -

Management has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through June 25, 2018, the date which the financial statements were available to be issued.

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

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INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE COMPONENT UNIT FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Livingston Parish Gravity Drainage
District Five
Livingston Parish Council
Walker, Louisiana

We have audited, in accordance with the 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, the financial statements of the governmental activities and the major fund of the Livingston Parish Gravity Drainage District Five, (the District) a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated June 25, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose; however, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Harris J. Bourgeois, CPA

Denham Springs, Louisiana
June 25, 2018

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT FIVE**

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED DECEMBER 31, 2017

Current Year Findings:

Internal Control Over Financial Reporting

None

Compliance and Other Matters

None

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT FIVE**

SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2017

Prior Year Findings:

Internal Control Over Financial Reporting

None

Compliance and Other Matters

None

LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT FIVE

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

DECEMBER 31, 2017

WALKER, LOUISIANA



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Independent Accountant's Report
on Applying Agreed-Upon Procedures

Board of Commissioners
Livingston Parish Gravity Drainage
District Five
Livingston Parish Council
Walker, Louisiana

We have performed the procedures enumerated below, which were agreed to by Livingston Parish Gravity Drainage District Five (the District) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The District's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget. – **No Exceptions.**
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes. – **No Exceptions.**
 - c) ***Disbursements***, including processing, reviewing, and approving – **No Exceptions.**

- d) **Receipts**, including receiving, recording, and preparing deposits – **No Exceptions**.
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked. – **No Exceptions**.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process. – **No Exceptions**.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage. – **No Exceptions**.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers. – **No Exceptions**.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity’s ethics policy. – **No Exceptions**.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements. – **No Exceptions**.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board’s enabling legislation, charter, or other equivalent document. – **No Exceptions**.
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity’s prior audit (GAAP-basis). – **No Exceptions**. Budget-to-actual comparisons are provided to board members and management and are referenced in the minutes.
 - (1) If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan. – **No Exceptions**.
 - c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period. – **No Exceptions**.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts from management and management’s representation that the listing is complete. – **No Exceptions**.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared. - **No Exceptions.**
- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation.

Exception – We noted that the bank reconciliations for the bank account tested did not have any evidence of management or board member approval during the fiscal year.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period. - **No Exceptions.**

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete. – **No Exceptions.**

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. **For each cash collection location selected:**

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee. – **No Exceptions.**
- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected. – **No Exceptions.**
- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

(1) Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location. – **No Exceptions.**

(2) Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any Exceptions. – **No Exceptions.**

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections. – **No Exceptions.**

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management’s representation that the listing or general ledger population is complete. – **No Exceptions.**

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Exception – We noted 1 of 25 disbursements selected for testing was not supported by an approved purchase order as required by the District’s disbursement policy.

b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Exception – We noted 2 of 25 disbursements selected for testing were approved by the same person who initiated the purchase. However, the District’s mitigating control is that all disbursements processed by this employee are first reviewed and approved by the board prior to payment being issued and checks being signed. Also, the employee does not have signatory authority to sign the District’s checks.

c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Exception – We noted 1 of 25 disbursements selected for testing was not supported by an approved purchase order as required by the District’s disbursement policy. However, the District’s mitigating control is that all disbursements processed are first reviewed and approved by the board prior to payment being issued and checks being signed.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

Exception – We noted the same District employee processes payments and adds vendors to the District's purchasing/disbursement system. However, the District's mitigating control is that all disbursements processed by this employee are first reviewed and approved by the board prior to payment being issued and checks being signed. Also, the employee does not have signatory authority to sign the District's checks.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases. – **No Exceptions.**
12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks. – **No Exceptions.**
13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any Exceptions. – **No Exceptions**

Credit Cards/Debit Cards/Fuel Cards/P-Cards

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete. – **No Exceptions.**
15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.].

Exception – In reviewing the monthly statement for the credit card selected for testing, we noted it was reviewed and approved by the authorized cardholder. However, the District’s mitigating control is that all disbursements processed by this employee are first reviewed and approved by the board prior to payment being issued and checks being signed. Also, the employee does not have signatory authority to sign the District’s checks.

b) Report whether finance charges and/or late fees were assessed on the selected statements. – **No Exceptions.**

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

c) For each transaction, report whether the transaction is supported by:

(1) An original itemized receipt (i.e., identifies precisely what was purchased). – **No Exceptions.**

(2) Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating. – **No Exceptions.**

(3) Other documentation that may be required by written policy (e.g., purchase order, written authorization.).

Exceptions – In reviewing the monthly statements for the credit card selected for testing we noted that none of the disbursements were supported by a purchase order as required by the District’s written credit card and disbursement procedures. However, the District’s mitigating control is that all disbursements are first reviewed and approved by the board prior to payment being issued and checks being signed. The District receives a detailed monthly invoice recapping purchases for the month by card and it is reviewed by management. The District adopted a new policy in May 2018 requiring all credit card purchases to be initiated by an approved purchase order.

d) For each transaction, compare the transaction’s detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity’s written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any Exceptions. – **No Exceptions.**

e) For each transaction, compare the entity’s documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any Exceptions. (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception. – **No Exceptions.**

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management’s representation that the listing or general ledger is complete. – **No travel and related expense reimbursements during the current fiscal period.**

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates. – **No Exceptions.**
19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
 - a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates. – **Not Applicable.**
 - b) Report whether each expense is supported by:
 - (1) An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.] – **Not Applicable.**
 - (2) Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating). – **Not Applicable..**
 - (3) Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance). – **Not Applicable.**
 - c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any Exceptions. (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception. – **Not Applicable.**
 - d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement. – **Not Applicable.**

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete. – **No Exceptions.**
21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
 - a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

Exception – The District did not have formal/written contracts on file for 3 of the 5 vendors reviewed.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - (4) If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder) – **No Exceptions.**
 - (5) If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice. – **No Exceptions.**
- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment. – **For 2 vendors with contracts, contracts were not amended.**
- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract. – **For 2 vendors with a contract, the invoice and related payment complied with the terms and conditions of the contract.**
- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter). – **For the 2 vendors with a contract, the board reviewed and approved contracts.**

Payroll and Personnel

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
 - a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure. – **No Exceptions.**
 - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy. – **No Exceptions.**
- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
 - a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.). – **No Exceptions.**
 - b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials. – **No Exceptions.**

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave. – **No Exceptions.**
24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management’s representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management. – **No Exceptions.**
25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines. - **No Exceptions.**

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under “Payroll and Personnel” above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed. – **No Exceptions.**
27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management’s actions complied with the entity’s ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy. – **No Exceptions.**

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained. **The District did not issue any debt during the fiscal period.**
29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants. **The District had no outstanding debt during the fiscal period.**
30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off. **The District had no tax millages relating to debt service.**

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled. – **No Exceptions.**
32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.lla.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds. – **Notice posted on premises. The District does not have a website.**
33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception. – **No Exceptions.**

Management's Response/Corrective Action to Exceptions

The District's responses to the exceptions identified in our performance of the SAUPs are attached. The District's responses were not subjected to any procedures applied in the SAUPs and, accordingly, we express no opinion or any assurance on them.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Respectfully submitted,

Harris J. Bourgeois, CPA

Denham Springs, Louisiana
June 25, 2018

Livingston Parish Gravity Drainage District No. 5
P.O. Box 328
Walker, LA 70785

June 25, 2018

Hannis T. Bourgeois, LLP, CPAs
178 Del Orleans Avenue, Suite C
Denham Springs, Louisiana 70726

Livingston Parish Gravity Drainage District No. 5
Response to 2017 Financial AUP Exceptions: 2017

The District hereby agrees to refine current procedures or implement written procedures regarding the below noted AUP exceptions:

A. Written Policies and Procedures – No Exceptions.

B. Board (or Finance Committee) – No Exceptions.

C. Bank Reconciliations –

1. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a. Bank reconciliations have been prepared. – **No Exceptions.**

- b. Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation.

Exception – We noted that the bank reconciliations for the bank account tested did not have any evidence of management or board member approval during the fiscal year.

Management's Response/Corrective Action – The District's management adopted a bank reconciliation policy which states that a board member will initial the monthly bank reconciliation report as evidence of review and approval.

D. Collections – No Exceptions.

E. Disbursements (General) –

1. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete. – **No Exceptions.**
2. Using the disbursement population from #1 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a. Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Exception – We noted 1 of 25 disbursements selected for testing was not supported by an approved purchase order as required by the District's disbursement policy.

Management's Response/Corrective Action – The District's management has updated the purchasing policy to reflect that all purchases, with the exception of recurring purchases, must be accompanied by an approved purchase order.

- b. Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Exception – We noted 2 of 25 disbursements selected for testing were approved by the same person who initiated the purchase. However, the District's mitigating control is that all disbursements processed by this employee are first reviewed and approved by the board prior to payment being issued and checks being signed. Also, the employee does not have signatory authority to sign the District's checks.

Management's Response/Corrective Action – The District's management will ensure that the person who initiates a purchase will not approve the purchase. Instead the purchase will have secondary approval and signature verification.

- c. Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Exception – We noted 1 of 25 disbursements selected for testing was not supported by an approved purchase order as required by the District's disbursement policy. However, the District's mitigating control is that all disbursements processed are first reviewed and approved by the board prior to payment being issued and checks being signed.

Management's Response/Corrective Action – The District's management now requires that all purchases, with the exception of recurring purchases, be

accompanied by an approved purchase order as required by the District's disbursement policy.

3. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

Exception – We noted the same District employee processes payments and adds vendors to the District's purchasing/disbursement system. However, the District's mitigating control is that all disbursements processed by this employee are first reviewed and approved by the board prior to payment being issued and checks being signed. Also, the employee does not have signatory authority to sign the District's checks.

Management's Response/Corrective Action – The District's management now requires that the addition of any vendors to the purchasing/disbursement system must be approved by the board.

F. Credit Card/Debit Cards/Fuel Cards/P-Cards –

1. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete. – **No Exceptions.**
2. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a. Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.].

Exception – In reviewing the monthly statement for the credit card selected for testing, we noted it was reviewed and approved by the authorized cardholder. However, the District's mitigating control is that all disbursements processed by this employee are first reviewed and approved by the board prior to payment being issued and checks being signed. Also, the employee does not have signatory authority to sign the District's checks.

Management's Response/Corrective Action – The District's management will require that one board member will review and approve the monthly credit card statement through signature verification.

- b. Report whether finance charges and/or late fees were assessed on the selected statements. – **No Exceptions.**
3. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).
 - a. For each transaction, report whether the transaction is supported by:
 - i. An original itemized receipt (i.e., identifies precisely what was purchased). – **No Exceptions.**
 - ii. Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating. – **No Exceptions.**
 - iii. Other documentation that may be required by written policy (e.g., purchase order, written authorization.).

Exceptions – In reviewing the monthly statements for the credit card selected for testing we noted that none of the disbursements were supported by a purchase order as required by the District’s written credit card and disbursement procedures. However, the District’s mitigating control is that all disbursements are first reviewed and approved by the board prior to payment being issued and checks being signed. The District receives a detailed monthly invoice recapping purchases for the month by card and it is reviewed by management. The District adopted a new policy in May 2018 requiring all credit card purchases to be initiated by an approved purchase order.

Management’s Response/Corrective Action – The District’s management adopted a new policy in May 2018 requiring that all credit card purchases be initiated by an approved purchase order.

G. Travel and Expense Reimbursement – No Exceptions. (No travel and related expense reimbursements during the fiscal period.)

H. Contracts –

1. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management’s representation that the listing or general ledger is complete. – **No Exceptions.**
2. Using the listing above, select the five contract “vendors” that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
 - a. Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

Exception – The District did not have formal/written contracts on file for 3 of the 5 vendors reviewed.

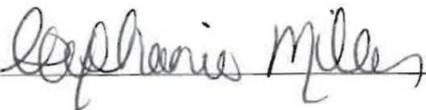
Management's Response/Corrective Action – The District's management adopted a new contracting for services policy in May 2018 that states that vendors that require contracts will have a written contract on file.

I. Payroll and Personnel – No Exceptions.

J. Ethics – No Exceptions.

K. Debt Service – No Exceptions. (No debt issued or outstanding during the fiscal period.)

L. Other – No Exceptions.

Signature:  Signature: 
Title: Board Chairman Title: District Clerk