

**LIVINGSTON PARISH GRAVITY DRAINAGE**  
**DISTRICT #1**

**REPORT ON AUDIT OF COMPONENT**  
**UNIT FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

## TABLE OF CONTENTS

Independent Auditor's Report	Page 1 - 3
Required Supplemental Information Management's Discussion and Analysis	4 - 9
Government-Wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - General Fund	12
Reconciliation of the General Fund Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund	14 - 15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the General Fund to the Statement of Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual – General Fund	17 - 18
Notes to the Financial Statements	19 - 34
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 <i>Government Auditing Standards</i>	35 - 36
Schedule of Findings and Responses	37
Schedule of Prior Audit Findings	38

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Livingston Parish Gravity Drainage  
District #1  
Livingston Parish Council  
Denham Springs, 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 # 1, "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 12 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 #1. 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 # 1 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 #1's December 31, 2016 financial statements, and we expressed a modified opinion on those audited financial statements in our report dated June 27, 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 12, 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 J. Bourgeois, CPA*

Denham Springs, Louisiana  
June 12, 2018

Livingston Parish Gravity Drainage  
District #1  
Denham Springs, Louisiana  
Management Discussion and Analysis  
December 31, 2017

This section of the Livingston Parish Gravity Drainage District #1's (the District) annual financial report presents our discussion and analysis of the District's activities for the year ended December 31, 2017. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the detailed financial statements.

**FINANCIAL HIGHLIGHTS**

- \* Net Position on December 31, 2017 was \$5,325,040.
- \* The Net Position of the Governmental Activities showed an increase of \$585,865 representing a 12.37% increase in 2017.
- \* The total general fund balance at December 31, 2017 was \$3,873,755. This reflects an actual increase in 2017 of \$502,158 or 14.9% mainly caused by decreases in professional fees and salary expenses with an increase in intergovernmental revenues and sale of assets for 2017.
- \* At the end of 2017, Unassigned General Fund Balance of \$3,807,440 represents 172.6% of total General Fund Expenditures.
- \* The District had a 12.39% decrease in the amount of sales tax revenue in 2017 from the record levels of 2016. The sales tax revenue totaled \$1,820,739 in 2017 and \$2,078,251 in 2016 representing 67.24% and 74.18% of the total revenue in each of the respective years.
- \* The District had a 5.20% increase in the amount of ad valorem tax revenue in 2017. The ad valorem tax revenue totaled \$719,594 in 2017 and \$683,967 in 2016 representing 26.58% and 24.41% of the total revenues in each of the respective years. The rebound from the disaster flood of 2016 impacted the ad valorem tax base positively for this year.

**OVERVIEW OF FINANCIAL STATEMENTS**

The management discussion and analysis are intended to serve as an introduction to the basic financial statements of the District. The District's basic financial statements are comprised of three components: 1) the government-wide financial statements, 2) the fund financial statements, and 3) the notes to the financial statements.

**Government-wide financial statements** are designed by GASB Statement 34 to change the way in which governmental financial statements are presented. It now provides readers for the first time a concise "entity-wide" Statement of Net Position and Statement of Activities, seeking to give the user of the financial statements a broad overview of the District's financial position and results of operations in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in 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. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and accrued but unpaid interest).

The government-wide financial statements can be found on pages 10 and 11 of this report.

**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 financial-related legal requirements. The District has one fund, the General Fund, which is a governmental type fund.

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. 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*.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12 through 18 of this report.

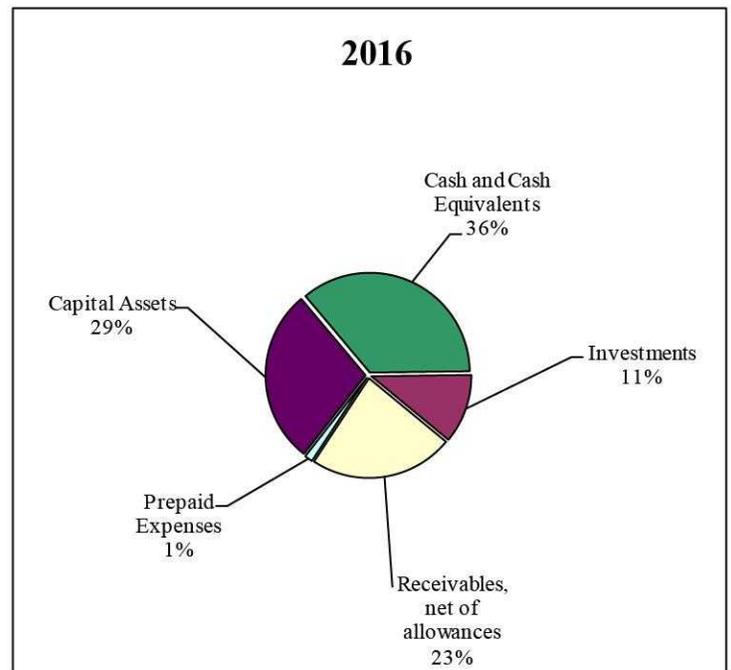
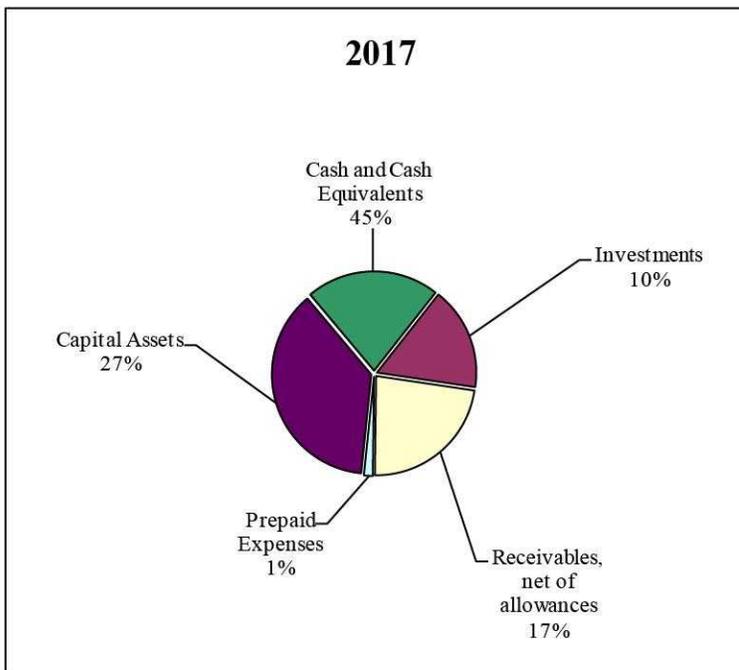
**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 34 of this report.

## STATEMENT OF NET POSITION

The following is a schedule of the District's net position at December 31, 2017 and 2016. Net position is calculated by taking the difference between the total assets and total liabilities. The District's assets exceeded its liabilities at the close of 2017 and 2016 by a total of \$5,325,040 and \$4,739,175, respectively.

Condensed Statements of Net Position

	<u>2017</u>	<u>2016</u>	<u>Increases (Decreases)</u>
Cash and Cash Equivalents	\$ 2,433,941	\$ 1,733,253	\$ 700,688
Investments	540,849	540,577	272
Receivables, net of allowances	915,983	1,123,381	(207,398)
Prepaid Expenses-Inventory	66,315	62,680	3,635
Capital Assets, Net of Accumulated Depreciation	<u>1,451,285</u>	<u>1,367,578</u>	<u>83,707</u>
 Total Assets	 5,408,373	 4,827,469	 580,904
 Current Liabilities	 <u>83,333</u>	 <u>88,294</u>	 <u>(4,961)</u>
 Total Liabilities	 83,333	 88,294	 (4,961)
 Net Position			
Net Investment in Capital Assets	1,451,285	1,367,578	83,707
Unrestricted	<u>3,873,755</u>	<u>3,371,597</u>	<u>502,158</u>
 Total Net Position	 <u>\$ 5,325,040</u>	 <u>\$ 4,739,175</u>	 <u>\$ 585,865</u>



## STATEMENT OF ACTIVITIES

The District is committed to previous years' goals of accomplishing proper maintenance to the existing infrastructure canal and ditch systems for drainage. Various improvement projects at certain sites were undertaken as well as the continued ongoing clearing, spraying, and general improvement to drainage areas. The extreme growth in the number of homeowners along with business establishments in the District and the new challenges and demands for better drainage of water flow throughout the District is currently challenging management to improve all areas for drainage. Improving methods of clearing, cleaning, and maintaining existing canals is management's priority. Lower areas are being developed and the general population is occupying these areas in large numbers. As the growth continues within the District, due diligence and expenditure of resources will be a priority to secure proper drainage for all. Increased staff and equipment purchases were made in recent years to achieve the goal of proper drainage. The District has focused on the routine maintenance of problem drainage areas in the District and attempting assistance to various citizens with drainage issues. The District has completed the first phases of engineering of designing a modeling program of the major tributary, Gray's Creek, along with Dixon and other streams.

The majority of the funding for the District's operation and maintenance is provided by sales taxes on public sales within the boundaries of the District. The District collects a one-half cent sales and use tax within the boundaries of the District which is placed into the general fund. The District's voters passed a renewal of the 5 mill Ad Valorem property tax in 2010 and collected 4.43 mills in 2017. The funds are used to pay for the operation and maintenance of the drainage systems and asset purchases. Other sources of revenue result from interest earned and governmental revenue sharing amounts. The District does not have any debt.

### Condensed Statements of Activities

	<u>2017</u>	<u>2016</u>	<u>Increases (Decreases)</u>
Revenues:			
General Revenues	\$ 2,707,743	\$ 2,801,561	\$ (93,818)
	2,707,743	2,801,561	(93,818)
Expenses:			
Public Works	1,939,427	1,962,356	(22,929)
Depreciation	182,451	204,147	(21,696)
	2,121,878	2,166,503	(44,625)
Change in Net Position	\$ 585,865	\$ 635,058	\$ (49,193)

### REVENUES

- \* Sales and use tax revenue decreased by \$257,512 or 12.39 % in 2017 from the previous year.  
Ad valorem taxes increased by \$35,627 or 5.20%.

## EXPENSES

Total expenses for 2017 decreased by \$44,625. This net decrease in operating expense was because of the following:

- \* Salaries and payroll taxes decreased \$27,214 over the past year.
- \* Depreciation expense decreased \$21,696 in 2017.
- \* Supplies and equipment repairs increased by a total of \$96,692 in 2017 along with various other category decreases.
- \* Engineering fees included in professional fees decreased by \$75,667.

## BUDGETARY HIGHLIGHTS

- \* The final amended budget for revenues in 2017 reflects an increase of \$346,000. This was caused by another year of upturn in local sales tax revenue collections from original adopted budget totals and the rebound of ad valorem tax revenue from the flood disaster in 2016 for the District.
- \* In 2017, the District received \$13,216 less than the final amended revenue budget or a 0.5% unfavorable variance, and in 2016 revenues were more than the final amended revenue budget by \$503,967 or 21.97% favorable variance.
- \* In 2017, the final amended budget for expenditures reflects a decrease of \$79,373 favorable variance as compared to almost no change in 2016. The 2017 final amended budget reflected a decrease in capital outlay expenditures in the amount of a \$3,842 favorable variance.
- \* Total actual expenditures in 2017 were less than the final amended budget by \$83,215 or 3.64%, while in 2016 total expenditures were less than the final amended budget by \$81,986 or 3.97%.

## CAPITAL ASSETS

The District's investment in capital assets as of December 31, 2017 and 2016 amounts to \$1,451,285 and \$1,367,578 (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery, and equipment. The total net increase in the District's cost of investment in capital assets for 2017 was \$83,707 or 6.12%.

2017: Total cost of additions equaled \$266,158:  
Equipment purchased amounted to \$184,668  
Improvements amounted to \$81,490

Depreciation expense for 2017 amounted to \$182,451

## FUTURE EXPENSES

The District is committed to previous years' goals of accomplishing proper maintenance to all major canals, ditches, and lateral drainage channels for the new population demand being experienced within the District. The extreme growth in the number of homeowners in the District and the additional drainage impact effects from new development will require additional cleaning of major drainage channels. Focusing attention on canals which are holding surface water or causing delayed drainage will be pursued by the District in the future with the resources available. Moderate increases in expenditures for engineering, employee salaries, general supplies will be realized. New capital outlay items for related maintenance equipment, Amite Church Road Project, and building improvement (such as new gauge system along waterways, remodeling of administration building damaged by disaster in 2016, etc.) is estimated in 2018 and beyond. A modeling

system is in process for engineering of the major tributary (Gray's Creek Watershed Project) which will add expenses of major improvements within the next five years. The District adopted a budget amount equal to \$430,000 for Capital Outlay in 2018 to accomplish the goals stated above inclusive of District improvements along the watershed of Gray's Creek.

### **REQUEST FOR INFORMATION**

The financial report is designed to provide our citizens and creditors with a general overview of the District's finances and reveal the District's accountability for the money received through its operations. If there are any questions about this report or need of additional financial information, contact Administrative Secretary, Randall Smith, Post Office Box 1265, Denham Springs, La 70727.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #1**

**STATEMENT OF NET POSITION**

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

**ASSETS**

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
<b>Assets:</b>		
Cash and Cash Equivalents	\$2,433,941	\$1,733,253
Investments	540,849	540,577
Due From Other Governments	8,479	9,136
Ad Valorem Taxes Receivable, Net of Allowance	602,565	672,177
Sales Tax Receivable, Net of Collection Fees	304,831	441,962
Other Receivables	108	106
Inventory	2,029	3,120
Prepaid Insurance	64,286	59,560
Capital Assets, Net of Accumulated Depreciation	<u>1,451,285</u>	<u>1,367,578</u>
Total Assets	<u>\$5,408,373</u>	<u>\$4,827,469</u>

**LIABILITIES**

<b>Liabilities:</b>		
Accounts Payable	\$ 55,742	\$ 77,752
Accrued Liabilities	<u>27,591</u>	<u>10,542</u>
Total Liabilities	83,333	88,294

**NET POSITION**

Net Investment in Capital Assets	1,451,285	1,367,578
Unrestricted	<u>3,873,755</u>	<u>3,371,597</u>
Total Net Position	<u>5,325,040</u>	<u>4,739,175</u>
Total Liabilities and Net Position	<u>\$5,408,373</u>	<u>\$4,827,469</u>

The notes to the financial statements are an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #1**

STATEMENT OF ACTIVITIES

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

	<u>Governmental Activities</u>	
	2017	2016
<b>Governmental Activities:</b>		
Expenses:		
Public Works	\$ 1,939,427	\$ 1,962,356
Depreciation	182,451	204,147
	2,121,878	2,166,503
General Revenues:		
Ad Valorem Tax	719,594	683,967
Sales Tax	1,820,739	2,078,251
State Revenue Sharing	25,165	27,408
Net Realized and Unrealized Gains (Losses) on Investments	-	3,676
Interest	4,751	4,665
Intergovernmental	56,535	-
Net Gain on Sale of Assets	80,959	3,594
	2,707,743	2,801,561
Change in Net Position	585,865	635,058
<b>Net Position - Beginning of Year</b>	4,739,175	4,104,117
<b>Net Position - End of Year</b>	\$ 5,325,040	\$ 4,739,175

The notes to the financial statements are an integral part of this statement.

**FUND FINANCIAL STATEMENTS**

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #1**

BALANCE SHEET - GENERAL FUND

DECEMBER 31, 2017

(With Comparative Totals as of December 31, 2016)

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$2,433,941	\$1,733,253
Investments	540,849	540,577
Due From Other Governments	8,479	9,136
Ad Valorem Taxes Receivable, Net of Allowance	602,565	672,177
Sales Tax Receivable, Net of Collection Fees	304,831	441,962
Other Receivables	108	106
Inventory	2,029	3,120
Prepaid Insurance	<u>64,286</u>	<u>59,560</u>
Total Assets	<u>\$3,957,088</u>	<u>\$3,459,891</u>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>Liabilities:</b>		
Accounts Payable	\$ 55,742	\$ 77,752
Accrued Liabilities	<u>27,591</u>	<u>10,542</u>
Total Liabilities	83,333	88,294
<b>Fund Equity:</b>		
Fund Balance:		
Nonspendables:		
Inventory and Prepaid Insurance	66,315	62,680
Unassigned	<u>3,807,440</u>	<u>3,308,917</u>
Total Fund Equity	<u>3,873,755</u>	<u>3,371,597</u>
Total Liabilities and Fund Equity	<u>\$3,957,088</u>	<u>\$3,459,891</u>

The notes to the financial statements are an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #1**

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

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

	<u>2017</u>	<u>2016</u>
Fund Balances - Total Governmental Fund	\$3,873,755	\$3,371,597
<p>Amounts reported for governmental activities in the statement of net position is different because:</p>		
<p>Capital assets used in the governmental activities are not financial resources and therefore are not reported in the fund</p>		
Governmental Capital Assets	3,540,948	3,569,120
Less: Accumulated Depreciation	<u>(2,089,663)</u>	<u>(2,201,542)</u>
	<u>1,451,285</u>	<u>1,367,578</u>
Net Position of Governmental Activities	<u>\$5,325,040</u>	<u>\$4,739,175</u>

The notes to the financial statements are an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #1**

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)

	2017	2016
<b>Revenues:</b>		
Ad Valorem Taxes	\$ 719,594	\$ 683,967
Sales Tax	1,820,739	2,078,251
State Revenue Sharing	25,165	27,408
Net Realized and Unrealized Gains (Losses) on Investments	-	3,676
Interest	4,751	4,665
Intergovernmental	56,535	-
Total Revenues	2,626,784	2,797,967
<b>Expenditures:</b>		
Public Works:		
Salaries	826,984	854,198
Per Diem-Board Members	9,600	9,800
Payroll Taxes	65,959	67,272
Retirement Contributions	57,625	57,720
Health Insurance	150,947	150,154
Assessor's Pension Fund	27,794	26,919
Business Insurance	113,529	113,326
Fuel	32,297	33,333
Legal and Professional Fees	306,292	381,959
Supplies	122,006	118,120
Miscellaneous	1,856	1,789
Office Supplies	3,715	8,824
Repairs and Maintenance	146,336	53,530
Sales Tax Collection Fees	25,304	32,893
Storm Damage Expense	-	5,263
Telephone	8,038	8,271
Uniforms	23,103	20,656
Utilities	18,042	18,329
	1,939,427	1,962,356

(CONTINUED)

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #1**

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

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

	2017	2016
<b>Expenditures (Continued):</b>		
Capital Outlay	266,158	20,458
Total Expenditures	2,205,585	1,982,814
Excess of Revenues over Expenditures	421,199	815,153
<b>Other Financing Sources:</b>		
Proceeds from Sale of Assets	80,959	3,594
Excess of Revenues and Other Sources Over Expenditures	502,158	818,747
<b>Fund Balance at Beginning of Year</b>	<b>3,371,597</b>	<b>2,552,850</b>
<b>Fund Balance at End of Year</b>	<b>\$3,873,755</b>	<b>\$3,371,597</b>

The notes to the financial statements are an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #1**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE OF THE GENERAL 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 Balances - Total Governmental Fund	\$ 502,158	\$ 818,747
<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	266,158	20,458
Depreciation Expense	(182,451)	(204,147)
	83,707	(183,689)
Add accumulated depreciation on capital assets retired during the year	294,330	-
Less cost basis of capital assets retired during the year	(294,330)	-
	-	-
Change in Net Position of Governmental Activities	\$ 585,865	\$ 635,058

The notes to the financial statements are an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #1**

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 Favorable (Unfavorable)
<b>Revenues:</b>				
Ad Valorem Taxes	\$ 586,700	\$ 719,000	\$ 719,594	\$ 594
Sales Tax	1,675,000	1,834,100	1,820,739	(13,361)
State Revenue Sharing	28,000	25,900	25,165	(735)
Interest	4,300	4,000	4,751	751
Intergovernmental	-	57,000	56,535	(465)
Total Revenues	2,294,000	2,640,000	2,626,784	(13,216)
<b>Expenditures:</b>				
Public Works:				
Salaries	865,000	845,000	826,984	18,016
Per Diem- Board Members	10,300	10,300	9,600	700
Payroll Taxes	69,000	69,000	65,959	3,041
Retirement Contributions	69,000	64,000	57,625	6,375
Health Insurance	150,000	150,000	150,947	(947)
Assessor's Pension Fund	30,000	30,000	27,794	2,206
Business Insurance	120,000	120,000	113,529	6,471
Fuel	47,000	34,000	32,297	1,703
Legal and Professional Fees	407,000	326,500	306,292	20,208
Supplies	130,000	130,000	122,006	7,994
Miscellaneous	2,500	2,500	1,856	644
Office Supplies	8,000	5,000	3,715	1,285
Repairs and Maintenance	46,000	152,000	146,336	5,664
Sales Tax Collection Fees	27,000	30,000	25,304	4,696
Storm Damage Expense	8,000	-	-	-
Telephone	12,000	9,000	8,038	962
Uniforms	22,000	22,000	23,103	(1,103)
Utilities	17,000	19,500	18,042	1,458
	2,039,800	2,018,800	1,939,427	79,373

(CONTINUED)

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #1**

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

FOR THE YEAR ENDED DECEMBER 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
<b>Expenditures (Continued):</b>				
Capital Outlay	25,000	270,000	266,158	3,842
Total Expenditures	2,064,800	2,288,800	2,205,585	83,215
Excess of Revenues Over Expenditures	229,200	351,200	421,199	69,999
Other Financing Sources:				
Proceeds from Sale of Assets	-	74,400	80,959	6,559
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	229,200	425,600	502,158	76,558
<b>Fund Balance at Beginning of Year</b>	3,371,597	3,371,597	3,371,597	-
<b>Fund Balance at End of Year</b>	\$3,600,797	\$3,797,197	\$3,873,755	\$ 76,558

The notes to the financial statements are an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

**(1) Summary of Significant Accounting Policies -**

Livingston Parish Gravity Drainage District #1 (“the District”) is a corporate body created by the Livingston Parish Council on November 22, 1969, as provided by Louisiana Revised Statutes. The purpose of the District is to provide maintenance services to drainage structures within the boundaries of the district. The District is governed by a board of five commissioners.

In October 2010, an election was held whereby the voters of Livingston Parish Gravity Drainage District #1 approved a ten year 5-mill property tax on assessed property within the District which will expire in 2020. Also, on January 15, 2005, a 20-year renewal election was held whereby the voters of the District approved a ½% sales tax. In addition, the District receives State Revenue Sharing funds from State provisions connected to the local property tax election passage.

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 conformance 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 fund 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 #1**

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 or operating and 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 #1**

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, property taxes, state revenue sharing, 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. Property taxes are recorded as revenues when levied even though a portion of the taxes may be collected in subsequent years. State revenue sharing is recorded when made available.

**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 one-year 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 #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

D. Capital Assets

Capital assets are reported in the government-wide financial statements at historical cost. Additions, improvements or other capital outlays costing at least \$1,500 and significantly extending the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on a straight line basis over the following estimated useful lives:

Buildings and Improvements	20 to 40 years
Equipment	5 to 10 years
Vehicles	5 years

E. Budgetary Practices

The District utilizes the following budgetary practices:

The Chairperson of the Board prepares the annual budget which is based on what is expected to be collected during the fiscal year and is approved by the Board of Commissioners. The adopted budget constitutes the authority of the District to incur liabilities and authorize expenditures from the respective budgeted funds. Additionally, certain expenditures are approved monthly by the Board before payment. The 2017 budget was discussed in a public hearing and adopted during a meeting of the Board on December 13, 2016. The amended 2017 budget was discussed in a public hearing and adopted during a meeting of the Board on December 12, 2017.

All budget amounts presented in the financial statements have been adjusted for legally authorized revisions of the annual budget during the year.

F. 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 #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

G. Inventory

Inventory is valued at cost, which approximates market, using the first-in first-out method. The District's inventory consists of fuel. The nonspendable fund balance at the governmental fund level is equal to the amount of inventory at year-end to indicate the portion of the governmental fund balance that is nonspendable.

H. 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 District'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.

I. Net Position

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

J. Summary Financial Information for 2016

The financial statements include certain prior year summarized 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.

K. 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:

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

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.

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.

L. Subsequent Events

The District evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through June 12, 2018, the date which the financial statements were available to be issued.

**(2) Cash, Cash Equivalents and Investments -**

For reporting purposes, cash and cash equivalents include cash, demand deposits, and time certificates of deposit with maturities less than 90 days. 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.

As confirmed by the fiscal agents, the District had cash and certificates of deposit with maturities less than 90 days totaling \$2,440,715 with a carrying amount of \$2,433,941 at December 31, 2017.

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

As of December 31, 2017, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
			<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Mutual Funds	\$ 2,933	\$ 2,933	\$ 2,933	\$ -	\$ -	\$ -
Time Certificates of Deposit	<u>537,916</u>	<u>537,916</u>	<u>537,916</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>\$ 540,849</u>	<u>\$ 540,849</u>	<u>\$ 540,849</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Fair Value Measurements.** The investments are reflected at fair value except for the following which are permitted per GASB Statement No. 31:

- Investments in nonparticipating interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates are reported using a cost-based measure. Interest-earning investment contracts include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts.
- The District reports at amortized cost money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less. Money market investments are short-term, highly liquid debt instruments that include U.S. Treasury obligations

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District has the following fair value measurements as of December 31, 2017: Mutual funds of \$2,933 are valued using quoted market prices (Level 1 inputs).

**Interest Rate Risk.** The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**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

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

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 \$2,440,715 was exposed to custodial credit risk.

**Custodial Credit Risk - Investments.** For an investment, this is the risk that, in the event of failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. To mitigate this risk, state law requires for these investments (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 investments of \$540,849 was exposed to custodial credit risk.

**(3) Ad Valorem Taxes -**

On October 10, 2010, the voters, who live within the boundaries of Gravity Drainage District No. 1 of Livingston Parish, Louisiana, renewed a 5-mill (\$5.00 per \$1,000 of assessed valuation) ad valorem tax to provide funds for the maintenance, improvement, and construction of drainage structures within the District. The tax is effective for a 10-year period (2011-2020).

The ad valorem taxes are levied each November 15 on the taxable assessed value listed as of the prior January 1 for all real and business personal property located within the boundaries of Gravity Drainage District No. 1. Taxable assessed value represents the appraised value of the property less exemptions allowed by law. The Livingston Parish Assessor periodically determines the appraised values.

Taxes are due on November 15, the levy date, and they become delinquent on the following January 1. The taxes are generally collected in December of the current year and January through March of the following year. During late April or May, of the year following the year the tax was levied, the Sheriff's office sends out delinquent notices to the property owners. Soon after the Sheriff has mailed the delinquent notices, he will publish them in the newspaper. After a second publication in the newspaper and at least 30 days from the date of the first publication, the property is advertised for auction. The auction usually takes place in June or July. Properties sold at auction have liens placed on them by their buyers. The Parish will put a lien on any properties not sold at the auction.

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

As of January 1, 2017, the assessed value of the property located within Gravity Drainage District No. 1 of Livingston Parish, Louisiana, was \$163,544,487. For 2017, the District elected to assess 4.43 mills to finance the maintenance, improvement, and construction of drainage structures.

Total taxes assessed and taxes receivable at December 31, 2017, are as follows:

	General Operations <u>4.43 Mills</u>
<b><u>Revenues:</u></b>	
2017 Ad Valorem Tax Assessed	\$ 724,502
Less: 2017 Estimated Uncollectible	(21,735)
Prior Year Collections in Excess of Net Receivable	<u>16,827</u>
	<u>\$ 719,594</u>
<b><u>Receivable:</u></b>	
2017 Property Tax Assessed	\$ 724,502
Less: Current Year Taxes Collected in 2017	<u>(100,202)</u>
Taxes Receivable - Current Year	624,300
Prior Years Net Tax Receivables at December 31, 2016	672,177
Less: Prior Years Tax Collected in 2017	(689,004)
Prior Year Collections in Excess of Net Receivable	<u>16,827</u>
Tax Receivable - Prior Years	<u>-</u>
Total Property Taxes Receivable at December 31, 2017	624,300
Less: Allowance for Uncollectible Accounts	<u>(21,735)</u>
Net Property Tax Receivable at December 31, 2017	<u>\$ 602,565</u>

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

**(4) Changes in General Fixed Assets -**

<u>Governmental Activities</u>	<u>Balance December 31, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2017</u>
Capital Assets not Being Depreciated:				
Land	\$ <u>157,288</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>157,288</u>
Total Capital Assets Not being Depreciated	<u>157,288</u>	<u>-</u>	<u>-</u>	<u>157,288</u>
Capital Assets being Depreciated:				
Buildings	586,515	-	-	586,515
Improvements/Infrastructure	609,748	81,490	-	691,238
Vehicles	343,707	-	-	343,707
Equipment	1,863,175	184,668	(294,330)	1,753,513
Furniture and Fixtures	<u>8,687</u>	<u>-</u>	<u>-</u>	<u>8,687</u>
Total Capital Assets Being Depreciated	3,411,832	266,158	(294,330)	3,383,660
Less: Accumulated Depreciation for:				
Buildings	(190,734)	(19,434)	-	(210,168)
Improvements/Infrastructure	(194,935)	(27,994)	-	(222,929)
Vehicles	(270,869)	(21,119)	-	(291,988)
Equipment	(1,536,960)	(113,756)	294,330	(1,356,386)
Furniture and Fixtures	<u>(8,044)</u>	<u>(148)</u>	<u>-</u>	<u>(8,192)</u>
Total Accumulated Depreciation	<u>(2,201,542)</u>	<u>(182,451)</u>	<u>294,330</u>	<u>(2,089,663)</u>
Total Capital Assets Being Depreciated, Net	<u>1,210,290</u>	<u>83,707</u>	<u>-</u>	<u>1,293,997</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 1,367,578</u>	<u>\$ 83,707</u>	<u>\$ -</u>	<u>\$ 1,451,285</u>

Depreciation expense of \$182,451 was charged to the General Operations function in the Statement of Activities.

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

**(5) Long-Term Debt -**

The Livingston Parish Gravity Drainage District #1 has no long-term debt transactions for the year ended December 31, 2017.

**(6) Leases -**

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

**(7) Litigation -**

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

**(8) Compensated Absences -**

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

**(9) Per Diem Paid Board Members -**

Each member of the Board of Commissioners is eligible to receive a per diem allowance of \$100 for attending each regular or special meeting of the board. Per diems paid to the board members for 2017 were as follows:

<u>Commissioner</u>	<u>Number of Meetings</u>	<u>Amount Received</u>
David Provost	22	\$ 2,200
Bond Stevens	13	1,300
Chris Whitmire	22	2,200
Carl Juneau	19	1,900
Robert Borne	20	<u>2,000</u>
		<u>\$ 9,600</u>

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

**(10) Schedule of Compensation, Benefits, and Other Payments to Chairman of the Board of Directors -**

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

Per Diem	\$ 2,200
Benefit Insurance	-
Travel Reimbursements	-
Conferences	-
Meals	<u>-</u>
Total Compensation	<u>\$ 2,200</u>

**(11) Pension Plan and Retirement Commitments -**

On January 1, 1996, the District adopted the Putnam Prototype Simplified Employee Pension Plan (SEP) for its employees. Under this defined contribution plan, the District's Board of Commissioners establishes individual retirement accounts with Putnam Investments for each eligible employee to whom the District will make a contribution as determined on a year to year basis. Because contributions are made to individual retirement accounts, all contributions received by an employee are 100% vested. The employee may select between several investments options. The District does not guarantee the results of these investments. The District's Board of Commissioners voted to contribute 9.0% of eligible wages for 2017 which amounts to \$57,625.

**(12) Contingency -**

On September 19, 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 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).

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

The contractor performed debris cleanup services from September 19, 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 the date of this 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.

**(13) Sales Tax Abatement -**

In prior years, the District entered into cooperative endeavor agreements with two economic development districts under provisions of the LA.R.S. 33:9038 Sales Tax Increment Financing. Under the provisions of the law, entities may enter into the cooperative endeavor agreements to dedicate a portion or all of the sales tax collected within the economic development district area for the purpose of repaying revenue bonds issued to fund economic development projects within the districts.

For the year ended December 31, 2017, the District abated sales taxes totaling \$590,078 under these two cooperative endeavor agreements.

- Denham Springs Economic Development District (DSEDD) – The District entered into a cooperative endeavor agreement with the DSEDD to dedicate 71.42857 percent of the District's ½ cent sales tax collected within the DSEDD area for the purposes of repaying revenue bonds issued to fund DSEDD projects. Once the DSEDD revenue bonds are paid in full, the District will start receiving 100 percent of its ½ sales tax collected within the DSEDD area. The abated sales tax amounted to \$351,368 for the year ended December 31, 2017.
- Juban Crossing Economic Development District (JCEDD) – The District entered into a cooperative endeavor agreement with the JCEDD to dedicate 40.00 percent of the District's ½ cent sales tax collected within the JCEDD area for the purposes of repaying revenue bonds issued to fund JCEDD projects. The District is not responsible for maintenance within the JCEDD area while the JCEDD revenue bonds are outstanding. Once the JCEDD

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

revenue bonds are paid in full, the District will start receiving 100 percent of its ½ sales tax collected within the JCEDD area and then will be responsible for the maintenance within the JCEDD area. The abated sales tax amounted to \$238,710 for the year ended December 31, 2017.

**(14) 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

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

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 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

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

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.

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.

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 #1  
Livingston Parish Council  
Denham Springs, 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 each major fund of the Livingston Parish Gravity Drainage District #1, (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 12, 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. 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 12, 2018

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #1**

**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 #1**

**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 #1**

**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**

**DECEMBER 31, 2017**

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Independent Accountant's Report  
on Applying Agreed-Upon Procedures

Board of Commissioners  
Livingston Parish Gravity Drainage  
District #1  
Livingston Parish Council  
Denham Springs, Louisiana

We have performed the procedures enumerated below, which were agreed to by the Livingston Parish Gravity Drainage District #1, State of Louisiana, "the District," a component unit of the Livingston Parish Council, 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***

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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.

**Exception** - The District has limited written policies and procedures for purchasing. While the written policies and procedure address processing, reviewing, and approval of payments and maintaining documentation on quotes and bids, the procedures do not specifically address how purchases are initiated; how vendors are added to the vendor list; the preparation of purchase requisitions and/or purchase orders; or outline the dollar thresholds requiring quotes and bids which would assist in compliance with public bid laws.

- 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

**Exception** - The District does not have written policies and procedures that specifically address contracting. However, all expenses are required to go through the approval process for disbursements and checks require two signatures.

- 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

**Exception** – The District does not have written policies and procedures that specifically address credit cards. However, all purchases are required to go through the approval process for disbursements and checks require two signatures.

- h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

**Exception** – The District does not have written policies and procedures that specifically address travel and expense reimbursement. However, all expenses are required to go through the approval process for disbursements and checks require two signatures.

- 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.

**Exception** – The District does not have written policies and procedures related to ethics. However, they do require employees to take the annual ethics training.

- j) ***Debt Service***, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

**Exception** – The District does not have written policies and procedures related to debt service; however, the District does not have any outstanding debt.

***Board (or Finance Committee, if applicable)***

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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.**
    - (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 deficit spending during the fiscal period.**
  - 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***

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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; and

**Exception** – Effective December 1, 2017, bank reconciliations started being reviewed and initialed by the chairman of the Board. Prior to the November 2017 bank reconciliation, bank reconciliations were being prepared but they did not indicate evidence of a review.

No corrective action needed.
  - 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)***

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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.
  - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
  - 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** – The District does not utilize a formal requisition/purchase order system. Purchase orders are generally completed when the invoice is received at the District's office. Invoices are approved in the payment process and all checks require dual signatures. According to the District's procedures, the Manager is to approve invoices and/or supporting documentation via the purchase order prior to submission to third party accountant for payment processing. For the 25 transactions we tested, we noted that 8 did not have all required purchase orders included with the supporting documentation reviewed. However, all checks were signed by two check signers indicating approval.

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** – A third party outside accountant handles processing payments and adds vendors to the accounting system. The mitigating control is that the authorized check signers review and approve payments and physically sign all checks.

No corrective action is required.

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.

**Exception** – The Manager is an authorized check signer and can initiate transactions. However, the mitigating controls are that the Manager can not generate payments or record transactions. Also, all checks requires two signatures, and all authorized check signers physically sign checks.

No corrective action is required.

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. – **A signature stamp and/or signature machine is not used.**

#### ***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

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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.

**Exception** – There was no physical approval noted on the statements. However, the disbursement check was signed by two check signers indicating approval.

- 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).
  - a) 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.) – **No Exceptions.**

- b) 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.**
- c) 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***

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- 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 Exceptions; The District did not incur any travel expenses during 2017.**
- 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](http://www.gsa.gov)) and report any amounts that exceed GSA rates.

**Exception** – The District does not have written policies and procedures that specifically address travel and expense reimbursements; however, purchases are required to go through the approval processes for disbursements and checks require two signatures.

- 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***

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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 4 of the 5 vendors reviewed. Verbal contracts have been in effect for several years (i.e. month to month agreements).

- 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:

- (1) 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.**

- (2) 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 the vendor with a contract, it was 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 the vendor with a contract, the invoice and related payment complied with terms and conditions of 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). – **The board reviews and approves.**

## *Payroll and Personnel*

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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.)
  - b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
  - 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.
- Exception** – The Manager reviews and approves the weekly time clock report prior to submission to the third party accountant for processing; however, the District does not require employees to use formal leave request forms. The Manager verbally approves all leave requests. Leave balances are maintained by timecard software.
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.

**Exception** – The District made all their applicable tax deposits and no late notices or penalties were noted. However, from the supporting documentation that the District had on quarterly 941 tax reports, we could not ascertain the date the reports were filed.

### *Ethics (excluding nonprofits)*

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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.

**Exception** – The District did not have 2017 ethics certifications on file for 3 of the 5 employees reviewed.

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 alleged ethics violations or allegations received.**

### *Debt Service (excluding nonprofits)*

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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*

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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. – **None noted.**
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.la.gov/hotline](http://www.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds. – **Notice posted on premises and on 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 12, 2018

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT 1  
P.O. BOX 1265  
DENHAM SPRINGS, LOUISIANA 70726

6-4-18

Livingston Parish Gravity Drainage District 1  
RESPONSE to 2017 Financial Audit AUP findings: 2017  
(10 categories, 69 areas)

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

1. Written Policies and Procedures:

Item 1 (b) **Purchasing** The District will update the policies to include more detail procedures for purchasing.

Item 1 (f) **Contracting** The District will update the policies to address contracting.

Item 1 (g) **Credit Card Usage** The District will update the policies to address credit card usage.

Item 1 (h) **Travel/Expense Reimbursement** The District will update the policies to address travel and expense reimbursement.

Item 1 (i) **Ethics** The District will consider updates to the policies to include ethics. Additionally, the District will have employees and elected officials attest through signature annually that they have read the District's ethics policy.

Item 1 (j) **Debt Service** The District will consider adding a written debt service policy.

2. Board – Finance Committee  
No exceptions, no comments.

### 3. Bank Reconciliation

No exceptions, no comments or corrective action.

### 4. Collections

No exceptions, no comments.

### 5. Disbursements-General

#### Item 9 (c) **Payments of purchases without approval or purchase orders**

The District will update the policies to include more detail procedures for purchasing.

### 6. Credit Cards

#### Item 15 (a) **Monthly card statement approval**

The District will require the monthly statements are signed by the Manager indicating his review and approval.

### 7. Travel Expense Reimbursement

#### Item 18 **No written reimbursement policy**

The District will update the policies to address travel and expense reimbursements

### 8. Contracts

#### Item 21 (a) **Service vendors with no contract on file**

The District will consider obtaining formal written contracts going forward

9. Payroll and Personnel

Item 23 **No formal leave request forms in use**

The District has requested examples of leave request forms for the Board's consideration.

Item 25 **Payment of payroll taxes documentation**

The District will maintain on file a signed and dated copy of the quarterly Form 941 reports going forward.

10. Ethics violations

Item 26 **Employee Ethics certifications not on file**

The District will ensure that the required ethics training and certification is completed by all employees on an annual basis.

11. Other No exceptions, no comments

David Provost, Chairman Livingston Parish Gravity District 1

✓ *David Provost*