

LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1

REPORT ON AUDIT OF COMPONENT
UNIT FINANCIAL STATEMENTS

DECEMBER 31, 2019

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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, 2019, 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.

Opinions

In our opinion, 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, 2019, 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, 2018 financial statements, and we expressed a modified opinion on those audited financial statements in our report dated June 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 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 9, 2020, 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,

Hannis T. Bourgeois, LLP

Denham Springs, Louisiana
June 9, 2020

Livingston Parish Gravity Drainage
District #1
Denham Springs, Louisiana
Management Discussion and Analysis
December 31, 2019

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, 2019. 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, 2019 was \$6,277,618.
- * The Net Position of the Governmental Activities showed an increase of \$564,423 representing a 9.88% increase in 2019.
- * The total general fund balance at December 31, 2019 was \$3,834,702. This reflects an actual decrease in 2019 of \$299,922 or 7.25% mainly caused by additions of an office building asset and purchases of equipment along with slight increases in wages and health insurance benefit costs for 2019.
- * At the end of 2019, Unassigned General Fund Balance of \$3,771,280 represents 123.6% of total General Fund Expenditures.
- * The District had a 11.43% increase in the amount of sales tax revenue in 2019 from the amount in 2018. The sales tax revenue totaled \$1,930,014 in 2019 and \$1,732,068 in 2018, representing 70.16% and 69.50% of the total revenue in each of the respective years.
- * The District had an 8.23% increase in the amount of ad valorem tax revenue in 2019. The ad valorem tax revenue totaled \$788,172 in 2019 and \$728,262 in 2018, representing 28.65% and 29.22% of the total revenues in each of the respective years. The rebound from the disaster flood of 2016 has been realized as of 2019.

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.

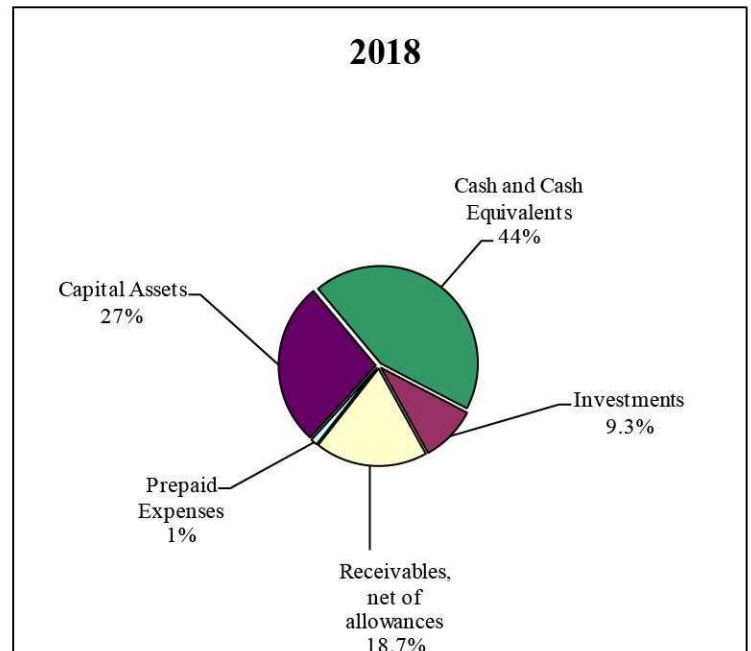
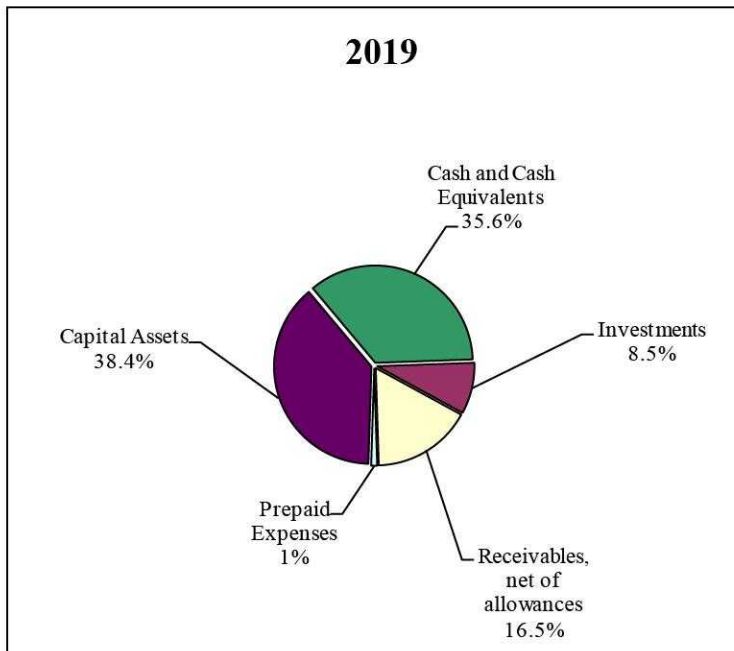
Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 33 of this report.

STATEMENT OF NET POSITION

The following is a schedule of the District's net position at December 31, 2019 and 2018. 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 2019 and 2018 by a total of \$6,277,618 and \$5,713,195, respectively.

Condensed Statements of Net Position

	<u>2019</u>	<u>2018</u>	<u>Increases (Decreases)</u>
Cash and Cash Equivalents	\$ 2,261,852	\$ 2,545,950	\$ (284,098)
Investments	541,529	541,121	408
Receivables, net of allowances	1,053,505	1,088,785	(35,280)
Prepaid Expenses-Inventory	63,422	64,975	(1,553)
Capital Assets, Net of Accumulated Depreciation	<u>2,442,916</u>	<u>1,578,571</u>	<u>864,345</u>
 Total Assets	 6,363,224	 5,819,402	 543,822
 Current Liabilities	 <u>85,606</u>	 <u>106,207</u>	 <u>(20,601)</u>
 Total Liabilities	 85,606	 106,207	 (20,601)
 Net Position			
Net Investment in Capital Assets	2,442,916	1,578,571	864,345
Unrestricted	<u>3,834,702</u>	<u>4,134,624</u>	<u>(299,922)</u>
 Total Net Position	 <u><u>\$ 6,277,618</u></u>	 <u><u>\$ 5,713,195</u></u>	 <u><u>\$ 564,423</u></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 has added other studies for 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 2018. An election is scheduled for the renewal of ad valorem tax beginning in 2021. 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>2019</u>	<u>2018</u>	<u>Increases (Decreases)</u>
Revenues:			
General Revenues	\$ 2,750,732	\$ 2,492,125	\$ 258,607
	<u>2,750,732</u>	<u>2,492,125</u>	<u>258,607</u>
Expenses:			
Public Works	1,941,552	1,907,041	34,511
Depreciation	<u>244,757</u>	<u>196,929</u>	<u>47,828</u>
	<u>2,186,309</u>	<u>2,103,970</u>	<u>82,339</u>
Change in Net Position	\$ <u>564,423</u>	\$ <u>388,155</u>	\$ <u>176,268</u>

REVENUES

- * Sales and use tax revenue increased by \$197,946 or 11.43% in 2019 from the previous year.
Ad valorem tax collections increased by \$59,910 or 8.23% in 2019 over the prior year.

EXPENSES

Total public works expenses for 2019 increased by \$34,511. This net increase in operating expense was because of the following:

- * Salaries, payroll taxes, and retirement expenses increased \$14,271 over the past year.
- * Equipment repairs increased by a total of \$5,652 in 2019, along with uniform increases of \$8,972.
- * Engineering fees included in professional fees decreased by \$39,393.
- * Health insurance increased by \$27,085.
- * Contract services increases \$25,777 and supplies decreased by \$25,038.

BUDGETARY HIGHLIGHTS

- * The final amended budget for revenues in 2019 reflects an increase of \$209,300. This was caused by expectations of local sales tax revenue collections to increase over the short fall of sales tax amounts experienced from flood impact years of 2017-2018.
- * In 2019, the District received \$29,014 greater in sales tax than the final amended revenue budget or a 1.53% favorable variance, and in 2018 revenues were less than the final amended revenue budget by \$6,875 or .28% unfavorable variance.
- * In 2019, the final amended budget for total expenditures reflects a \$32,254 unfavorable variance as compared to a \$300,844 favorable variance in 2018. The 2019 final amended capital outlay budget reflected a \$57,102 unfavorable variance in capital outlay expenditures along with the favorable variance of \$24,848 for regular expenditures. Various improvement projects were completed in the 2019 year.

CAPITAL ASSETS

The District's investment in capital assets as of December 31, 2019 and 2018 amounts to \$2,442,916 and \$1,578,571 (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 2019 was \$864,345 or 54.76%.

2019: Total cost of additions equaled \$1,109,102:
Vehicles and equipment purchased amounted to \$249,442.
Drainage improvements amounted to \$362,029.
Building improvements amounted to \$420,827.
Furniture amounted to \$7,334
Construction in Progress = \$69,470

Depreciation expense for 2019 amounted to \$244,757.

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, interaction projects with FEMA and other federal matching capital outlay programs, and engineering for multiple watershed studies (revealing new improvement projects affecting citizen's drainage) will be realized.

A modeling system is in process for engineering of the major tributary (Gray's Creek Watershed Project and several other watersheds in the District) which will add expenses of major improvements within the next five years. The District adopted a budget amount equal to \$410,000 for Capital Outlay in 2020 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, 2019
(With Comparative Totals as of December 31, 2018)

ASSETS

	Governmental Activities	
	2019	2018
Assets:		
Cash and Cash Equivalents	\$2,261,852	\$2,545,950
Investments	541,529	541,121
Due From Other Governments	8,349	8,240
Ad Valorem Taxes Receivable, Net of Allowance	695,725	723,187
Sales Tax Receivable, Net of Collection Fees	349,323	313,508
Other Receivables	108	43,850
Inventory	3,465	2,480
Prepaid Insurance	59,957	62,495
Capital Assets, Net of Accumulated Depreciation	2,442,916	1,578,571
Total Assets	<u>\$6,363,224</u>	<u>\$5,819,402</u>

LIABILITIES

Liabilities:		
Accounts Payable	\$ 67,429	\$ 73,639
Accrued Liabilities	18,177	32,568
Total Liabilities	85,606	106,207

NET POSITION

Net Investment in Capital Assets	2,442,916	1,578,571
Unrestricted	3,834,702	4,134,624
Total Net Position	<u>6,277,618</u>	<u>5,713,195</u>
Total Liabilities and Net Position	<u>\$6,363,224</u>	<u>\$5,819,402</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, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Governmental Activities:		
Expenses:		
Public Works	\$ 1,941,552	\$ 1,907,041
Depreciation	<u>244,757</u>	<u>196,929</u>
Total Expenses	2,186,309	2,103,970
 General Revenues:		
Ad Valorem Tax	788,172	728,262
Sales Tax	1,930,014	1,732,068
State Revenue Sharing	24,829	25,198
Net Realized and Unrealized Gains on Investments	1,493	1,301
Miscellaneous	-	315
Interest	<u>6,224</u>	<u>4,981</u>
Total General Revenues	<u>2,750,732</u>	<u>2,492,125</u>
 Change in Net Position	564,423	388,155
 Net Position - Beginning of Year	<u>5,713,195</u>	<u>5,325,040</u>
 Net Position - End of Year	<u><u>\$ 6,277,618</u></u>	<u><u>\$ 5,713,195</u></u>

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, 2019
(With Comparative Totals as of December 31, 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and Cash Equivalents	\$2,261,852	\$2,545,950
Investments	541,529	541,121
Due From Other Governments	8,349	8,240
Ad Valorem Taxes Receivable, Net of Allowance	695,725	723,187
Sales Tax Receivable, Net of Collection Fees	349,323	313,508
Other Receivables	108	43,850
Inventory	3,465	2,480
Prepaid Insurance	59,957	62,495
Total Assets	<u>\$3,920,308</u>	<u>\$4,240,831</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts Payable	\$ 67,429	\$ 73,639
Accrued Liabilities	18,177	32,568
Total Liabilities	85,606	106,207
Fund Equity:		
Fund Balance:		
Nonspendables:		
Inventory and Prepaid Insurance	63,422	64,975
Unassigned	3,771,280	4,069,649
Total Fund Equity	<u>3,834,702</u>	<u>4,134,624</u>
Total Liabilities and Fund Equity	<u>\$3,920,308</u>	<u>\$4,240,831</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, 2019
(With Comparative Totals as of December 31, 2018)

	<u>2019</u>	<u>2018</u>
Fund Balances - Total Governmental Fund	\$3,834,702	\$4,134,624
Amounts reported for governmental activities in the statement of net position is different because:		
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the fund		
Governmental Capital Assets	4,974,265	3,865,163
Less: Accumulated Depreciation	<u>(2,531,349)</u>	<u>(2,286,592)</u>
	<u>2,442,916</u>	<u>1,578,571</u>
Net Position of Governmental Activities	<u><u>\$6,277,618</u></u>	<u><u>\$5,713,195</u></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, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
Revenues:		
Ad Valorem Taxes	\$ 788,172	\$ 728,262
Sales Tax	1,930,014	1,732,068
State Revenue Sharing	24,829	25,198
Net Realized and Unrealized Gains on Investments	1,493	1,301
Miscellaneous	-	315
Interest	<u>6,224</u>	<u>4,981</u>
Total Revenues	2,750,732	2,492,125
Expenditures:		
Public Works:		
Salaries	884,283	872,873
Per Diem-Board Members	10,500	10,800
Payroll Taxes	69,301	68,094
Retirement Contributions	62,857	61,203
Health Insurance	172,462	145,377
Assessor's Pension Fund	30,953	28,754
Business Insurance	111,288	110,304
Contract Services	25,777	-
Fuel	41,144	41,723
Legal and Professional Fees	249,475	288,868
Supplies	92,815	117,853
Miscellaneous	8,303	2,366
Office Supplies	10,148	4,673
Repairs and Maintenance	79,874	74,222
Sales Tax Collection Fees	26,635	24,005
Telephone	5,723	6,513
Uniforms	35,267	26,295
Utilities	<u>24,747</u>	<u>23,118</u>
	1,941,552	1,907,041

(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, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
Expenditures (Continued):		
Capital Outlay	<u>1,109,102</u>	<u>324,215</u>
Total Expenditures	<u>3,050,654</u>	<u>2,231,256</u>
 Excess (Deficiency) of Revenues over Expenditures	 (299,922)	 260,869
 Fund Balance at Beginning of Year	 <u>4,134,624</u>	 <u>3,873,755</u>
 Fund Balance at End of Year	 <u><u>\$3,834,702</u></u>	 <u><u>\$4,134,624</u></u>

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, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
Net Change in Fund Balances - Total Governmental Fund	\$ (299,922)	\$ 260,869
<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	1,109,102	324,215
Depreciation Expense	<u>(244,757)</u>	<u>(196,929)</u>
	<u>864,345</u>	<u>127,286</u>
Change in Net Position of Governmental Activities	<u>\$ 564,423</u>	<u>\$ 388,155</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
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues:				
Ad Valorem Taxes	\$ 730,000	\$ 788,000	\$ 788,172	\$ 172
Sales Tax	1,750,000	1,901,000	1,930,014	29,014
State Revenue Sharing	25,500	24,800	24,829	29
Net Realized and Unrealized Gains on Investments	-	-	1,493	1,493
Interest	5,000	6,000	6,224	224
Total Revenues	2,510,500	2,719,800	2,750,732	30,932
Expenditures:				
Public Works:				
Salaries	895,000	865,000	884,283	(19,283)
Per Diem- Board Members	12,000	11,200	10,500	700
Payroll Taxes	75,000	69,000	69,301	(301)
Retirement Contributions	65,000	63,000	62,857	143
Health Insurance	158,000	172,000	172,462	(462)
Assessor's Pension Fund	30,000	30,000	30,953	(953)
Business Insurance	132,000	131,000	111,288	19,712
Contract Services	-	15,500	25,777	(10,277)
Fuel	50,000	45,000	41,144	3,856
Legal and Professional Fees	256,000	292,000	249,475	42,525
Supplies	140,000	85,000	92,815	(7,815)
Miscellaneous	9,600	10,200	8,303	1,897
Office Supplies	6,000	10,000	10,148	(148)
Repairs and Maintenance	84,000	82,000	79,874	2,126
Sales Tax Collection Fees	25,000	25,000	26,635	(1,635)
Telephone	7,000	3,500	5,723	(2,223)
Uniforms	25,000	35,000	35,267	(267)
Utilities	23,000	22,000	24,747	(2,747)
Wetlands Mitigation	10,000	-	-	-
	2,002,600	1,966,400	1,941,552	24,848

(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, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Expenditures (Continued):				
Capital Outlay	502,000	1,052,000	1,109,102	(57,102)
Total Expenditures	2,504,600	3,018,400	3,050,654	(32,254)
Excess (Deficiency) of Revenues Over Expenditures	5,900	(298,600)	(299,922)	(1,322)
Fund Balance at Beginning of Year	4,134,624	4,134,624	4,134,624	-
Fund Balance at End of Year	<u>\$ 4,140,524</u>	<u>\$ 3,836,024</u>	<u>\$ 3,834,702</u>	<u>\$ (1,322)</u>

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, 2019

(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 2019, 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 2030. 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. The GASB periodically updates its 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, 2019

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, 2019

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, 2019, 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, 2019

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 2019 budget was discussed in a public hearing and adopted during a meeting of the Board on December 11, 2018. The amended 2019 budget was discussed in a public hearing and adopted during a meeting of the Board on December 10, 2019.

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.

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.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2019

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, 2019, 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 2018

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, 2018, 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:

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.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2019

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 COVID-19 outbreak in the United States and throughout the world has caused business disruption through mandated and voluntary closings of schools and businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and its impacts on the District's citizens, employees and vendors. Therefore, the extent to which COVID-19 may impact the District's financial condition or results of operations cannot be reasonably estimated at this time.

The District evaluated additional subsequent events and transactions for potential recognition or disclosure in the financial statements through June 9, 2020, 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 cash equivalents totaling \$2,267,625 with a carrying amount of \$2,261,852 at December 31, 2019.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2019

As of December 31, 2019, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>					<u>More Than 10</u>
	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	
Mutual Funds	\$ 2,933	\$ 2,933	\$ 2,933	\$ -	\$ -	\$ -
Time Certificates of Deposit	<u>538,596</u>	<u>538,596</u>	<u>538,596</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 541,529</u>	<u>\$ 541,529</u>	<u>\$ 541,529</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, 2019: 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, 2019

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, 2019, none of the District's bank balance of \$2,267,625 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, 2019, none of the District's investments of \$541,529 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, 2019

As of January 1, 2019, the assessed value of the property located within Gravity Drainage District No. 1 of Livingston Parish, Louisiana, was \$180,572,445. For 2019, 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, 2019, are as follows:

	General Operations <u>4.43 Mills</u>
<u>Revenues:</u>	
2019 Ad Valorem Tax Assessed	\$ 799,936
Less: 2019 Estimated Uncollectible	(19,998)
Prior Year Collections in Excess of Net Receivable	<u>8,234</u>
	<u>\$ 788,172</u>
<u>Receivable:</u>	
2019 Property Tax Assessed	\$ 799,936
Less: Current Year Taxes Collected in 2019	<u>(84,213)</u>
Taxes Receivable - Current Year	715,723
Prior Years Net Tax Receivables at December 31, 2018	723,187
Less: Prior Years Tax Collected in 2019	(731,421)
Prior Year Collections in Excess of Net Receivable	<u>8,234</u>
Tax Receivable - Prior Years	<u>-</u>
Total Property Taxes Receivable at December 31, 2019	715,723
Less: Allowance for Uncollectible Accounts	<u>(19,998)</u>
Net Property Tax Receivable at December 31, 2019	<u>\$ 695,725</u>

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2019

(4) Changes in General Fixed Assets -

<u>Governmental Activities</u>	<u>Balance December 31, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2019</u>
Capital Assets not Being Depreciated:				
Land	\$ 157,288	\$ -	\$ -	\$ 157,288
Construction in Progress	<u>38,329</u>	<u>69,470</u>	<u>(38,329)</u>	<u>69,470</u>
Total Capital Assets Not being Depreciated	<u>195,617</u>	<u>69,470</u>	<u>(38,329)</u>	<u>226,758</u>
Capital Assets being Depreciated:				
Buildings	586,515	456,156	-	1,042,671
Improvements/Infrastructure	866,862	365,029	-	1,231,891
Vehicles	392,935	83,372	-	476,307
Equipment	1,814,547	166,070	-	1,980,617
Furniture and Fixtures	<u>8,687</u>	<u>7,334</u>	<u>-</u>	<u>16,021</u>
Total Capital Asset Being Depreciated	3,669,546	1,077,961	-	4,747,507
Less: Accumulated Depreciation for:				
Buildings	(228,997)	(22,976)	-	(251,973)
Improvements/Infrastructure	(254,137)	(49,322)	-	(303,459)
Vehicles	(313,927)	(46,249)	-	(360,176)
Equipment	(1,481,191)	(125,451)	-	(1,606,642)
Furniture and Fixtures	<u>(8,340)</u>	<u>(759)</u>	<u>-</u>	<u>(9,099)</u>
Total Accumulated Depreciation	<u>(2,286,592)</u>	<u>(244,757)</u>	<u>-</u>	<u>(2,531,349)</u>
Total Capital Assets Being Depreciated, Net	<u>1,382,954</u>	<u>833,204</u>	<u>-</u>	<u>2,216,158</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 1,578,571</u>	<u>\$ 902,674</u>	<u>\$(38,329)</u>	<u>\$ 2,442,916</u>

Depreciation expense of \$244,757 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, 2019

(5) Commitments -

Following is a schedule that lists various projects and projects costs of each along with amounts spent to date:

<u>Project Name</u>	<u>Contract Amount</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Clinton Allen Watershed	\$ <u>73,300</u>	\$ <u>69,470</u>	\$ <u>3,830</u>
Total Incomplete Construction at December 31, 2019	\$ <u><u>73,300</u></u>	\$ <u><u>69,470</u></u>	\$ <u><u>3,830</u></u>

(6) Long-Term Debt -

The Livingston Parish Gravity Drainage District #1 has no long-term debt transactions for the year ended December 31, 2019.

(7) Leases -

The District has no outstanding capital or operating leases at December 31, 2019.

(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 2019 were as follows:

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2019

<u>Commissioner</u>	<u>Number of Meetings</u>	<u>Amount Received</u>
David Provost	23	\$ 2,300
Chris Whitmire	23	2,300
Carl Juneau	14	1,400
Buford Elliot	23	2,300
Robert Borne	22	<u>2,200</u>
		<u>\$10,500</u>

(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, 2019:

Per Diem	\$ 2,300
Benefit Insurance	-
Travel Reimbursements	-
Conferences	-
Meals	<u>-</u>
Total Compensation	<u>\$ 2,300</u>

(11) Pension Plan and Retirement Commitments -

The District has a 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 2019 which amounts to \$62,857.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2019

(12) Contingencies - Litigation

The District is involved in lawsuits and claims in the ordinary course of their operations. It is management's opinion that outstanding claims would not have a material effect on the District's operations.

(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, 2019, the District abated sales taxes totaling \$717,565 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 \$411,673 for the year ended December 31, 2019.
- 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 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 \$305,892 for the year ended December 31, 2019.

(14) Current Accounting Pronouncements -

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

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2019

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 June 15, 2021. 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.

In June 2018, the Governmental Accounting Standards Board issued GASB Statement No 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

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, 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, 2019, 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 9, 2020.

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,

Hannis T. Bourgeois, LLP

Denham Springs, Louisiana
June 9, 2020

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019

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, 2019

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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, 2019 through December 31, 2019. The District's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

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

- d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or 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). – **No Exceptions.**
- e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked. – **No Exceptions.**
- f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process. – **No Exceptions.**
- g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases). – **No Exceptions.**
- h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers. – **No Exceptions.**
- i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. – **No Exceptions.**
- j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements. – **No Exceptions.**
- k) ***Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification.

Exception – The District has developed written policies and procedures for disaster recovery/business continuity but they have not been fully adopted and approved.

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

- 2. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, 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.**
- 3. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]] - **No Exceptions.**
- b) Observe that finance charges and late fees were not assessed on the selected statements. - **No Exceptions.**
4. Using the monthly statements or combined statements selected under #3 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

Exception – One of the five cards selected had 2 of 6 transactions subject to testing that were not supported by an original itemized receipt. The District does have a compensating control policy that requires written documentation and approval when supporting documentation is missing. For these transactions, there was no written documentation and approval providing a description of the purchase attached to the support. In discussions with management, it was noted that these expenses were for the purchase of clothes due to an airline misplacing luggage on a business trip. The reason for the missing receipts is that the original receipts were submitted to the airline for reimbursement and a copy was not made. The total of the two transactions was \$113.55.

Travel and Expense-Related Reimbursements (excluding card transactions)

5. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected: **The District did not incur any travel and travel-related expense reimbursements during 2019.**
 - a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov). – **Not applicable.**
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased. – **Not applicable.**
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h). – **Not applicable.**

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement. – **Not applicable.**

Contracts

- 6. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Exception – The District did not have a formal/written contract on file for 1 of the 5 vendors reviewed. The vendor provides professional services and verbal contracts have been in effect for several years (i.e. month to month agreements).

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter). - **No exceptions for the 4 vendors that the District had an agreement/contract with during the fiscal period.**
- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment. - **No exceptions for the 4 vendors that the District had an agreement/contract with during the fiscal period.**
- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract. - **No exceptions for the 4 vendors that the District had an agreement/contract with during the fiscal period.**

Ethics

- 7. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials to obtain their ethics documentation from management, and

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period. - **No Exceptions.**
- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Exception – The District was unable to provide documentation demonstrating each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

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,

Hannis T. Bourgeois, LLP

Denham Springs, Louisiana
June 9, 2020

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT ONE

June 9, 2020

Livingston Parish gravity Drainage District One

Response to 2019 Financial Audit AUP Findings: 2019

The District Hereby agrees to refine current procedures or implement written procedures to the below noted AUP findings.

1. Written Policies and Procedures:

K) Brad Thompson our IT person has commented on our procedures and add 2 that will be brought to the Board to be implemented to our procedures

2. Credit Cards/debit Cards/ Fuel Cards/ P- Cards

Will submit approval form on all purchases with Credit Cards to be turned in with receipt and or receive approval by Board members.

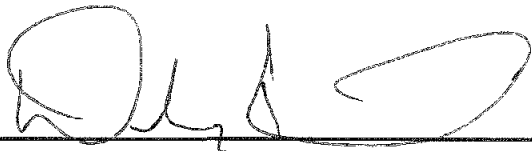
- On the note of no receipt I Wesley Kinnebrew made a copy of said receipts and did not make sure they were received by Smith Accounting, the original Receipt was turned into Delta Airline for Reimbursement

3. Contracts

A) will get with Board and Attorney to show what Bid or Vendor needs contract.

4. Ethics:

b) Employees turn in a Certificate of Completion; we will also fill out a form to have each Employee sign of doing so.

A handwritten signature in black ink, appearing to read 'Wesley Kinnebrew', is written over a horizontal line.

Wesley Kinnebrew, Livingston Parish Gravity Drainage District One