

**Livingston Parish Gravity Drainage District Five  
Including Special Taxing District Number Five  
Walker, Louisiana**

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**Annual Financial Statements**

**As of and for the Year Ended December 31, 2007**

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

Release Date 4/2/08

**LEROY J. CHUSTZ**  
Certified Public Accountant  
A Professional Accounting Corporation

**Livingston Parish Gravity Drainage District Five  
Including Special Taxing District Number Five  
Walker, Louisiana**

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**Annual Financial Statements**

**As of and for the Year Ended December 31, 2007**

**Livingston Parish Gravity Drainage District Five  
Including Special Taxing District Number Five**

**Annual Financial Statements  
As of and for the Year Ended December 31, 2007  
With Supplemental Information Schedules**

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**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS**

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

I have audited the accompanying basic financial statements of the **Livingston Parish Gravity Drainage District Five and Special Taxing District Number 5** (hereafter referred to as Gravity Drainage District Number Five), a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2007, as listed in the Table of Contents. These basic financial statements are the responsibility of **Livingston Parish Gravity Drainage District Five's** management. My responsibility is to express an opinion on these basic financial statements based on my audit.

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

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the **Livingston Parish Gravity Drainage District Five**, as of December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated February 28, 2008, on my consideration of the **Livingston Parish Gravity Drainage District Five's** internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

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

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

*Leroy J. Chutz*  
Certified Public Accountant  
February 28, 2008

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

## **Livingston Parish Gravity Drainage District Five**

### **Management's Discussion and Analysis As of and for the Year Ended December 31, 2007**

#### **Introduction**

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

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

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

#### **Financial Highlights**

At December 31, 2007, the District's assets exceeded its liabilities by \$1,974,223 (net assets). Of this amount, \$889,976 (unrestricted net assets) may be used to meet the District's ongoing obligations to its citizens.

For the year ended December 31, 2007, the District's total net assets increased by \$62,373.

At December 31, 2007, the District's general fund reported an ending fund balances of \$889,976, an increase of \$10,828 for the year.

At December 31, 2007, the District had cash and cash equivalents of \$183,863 and certificates of deposit of \$583,623 which represents a net decrease of \$28,325 from the prior year.

For the year ended December 31, 2007, the District had capital asset purchases of \$204,848 and depreciation expense of \$153,303.

#### **Overview of the Annual Financial Report**

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

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



## **Livingston Parish Gravity Drainage District Five**

### **Management's Discussion and Analysis As of and for the Year Ended December 31, 2007**

#### **Government-Wide Financial Statements**

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

The Statement of Net Assets presents information on the District's assets and liabilities using the accrual basis of accounting, in a manner similar to the accounting used by private business enterprises. The difference between the assets and liabilities is reported as net assets. Over time, the increases or decreases in net assets and changes in the components of net assets 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 assets changed during the most recent fiscal year, focusing on both the gross and net costs of various activities, that are supported by the District's general tax and other revenues. This is intended to summarize and simplify the reader's analysis of the cost of various governmental services.

The District's activities are presented as Governmental activities.

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

#### **Fund Financial Statements**

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

Governmental funds are used to account for most of the District's basic services. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, there are differences in the information presented for government funds and for governmental activities in the government-wide financial statements. Review of these differences provides the reader of the financial statements insight on the long-term impact of the District's more immediate decisions on the current use of financial resources. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Livingston Parish Gravity Drainage District Five**

**Management's Discussion and Analysis  
As of and for the Year Ended December 31, 2007**

**Notes to the Financial Statements**

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

**Government-Wide Financial Analysis**

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

**Net Assets  
2007 and 2006**

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Assets:		
Current and Other Assets	\$ 903,997	\$ 904,112
Capital Assets	1,084,247	1,032,703
Total Assets	<u>1,988,244</u>	<u>1,936,815</u>
Liabilities:		
Other Liabilities	14,021	24,965
Total Liabilities	<u>14,021</u>	<u>24,965</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	1,084,247	1,032,703
Unrestricted	889,976	879,147
Total Net Assets	<u>\$ 1,974,223</u>	<u>\$ 1,911,850</u>

Approximately 55 percent of the District's net assets reflect its investment in capital assets net of any outstanding related debt used to acquire those capital assets. These capital assets are used to provide services to citizens and do not represent resources available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities. There was no long term debt on capital assets at December 31, 2007.

Approximately 45 percent of the District's net assets are unrestricted and may be used to meet the District's ongoing obligations to its citizens.

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

**Livingston Parish Gravity Drainage District Five**

**Management's Discussion and Analysis  
As of and for the Year Ended December 31, 2007**

The District's activities increased its total net assets by \$62,373. In order to further understand what makes up the changes in net assets, the following table provides a summary of the results of the District's activities for the current year as compared to the prior year. An analysis of the primary sources of these changes follows the table. For more detailed information, see the Statement of Activities in this report.

**Changes in Net Assets  
For the years ended December 31, 2007 and 2006**

	Governmental Activities	
	2007	2006
Revenues:		
General Revenues:		
Sales Taxes	\$ 1,222,251	\$ 1,148,261
Interest Income	33,826	36,770
Insurance Settlement Proceeds	-	5,579
Miscellaneous	7,381	411
Gain on Sale of Assets	-	1,120
Total Revenues	1,263,458	1,192,141
Expenses:		
Public Works	1,201,085	1,074,303
Total Expenses	1,201,085	1,074,303
Change in Net Assets	62,373	117,838
Net Assets, Beginning	1,911,850	1,794,012
Net Assets, Ending	\$ 1,974,223	\$ 1,911,850

**Governmental Activities**

Revenues for governmental activities increased by \$71,317 or 6 percent, due primarily to an increase in sales tax revenue (primarily from sales tax sales activity increases). Sales tax revenues represent 97 percent of the District's total revenues.

The Parish Council of the Parish of Livingston, State of Louisiana held an election on January 15, 2005, requesting the authorization for the renewal of the collection for ten years from the date of the first levy of the sales tax at one half of one per cent within the Livingston Parish Gravity Drainage District Five. The sales tax was renewed and the results were filed with the Secretary of State on March 1, 2005.

Expenses increased by \$126,782 or 12 percent, with the major increases consisting of salaries and employee benefits, primarily health insurance, each increasing over \$50,000. The board approved a six percent wage increase effective in July of 2007 for all employees.

## **Livingston Parish Gravity Drainage District Five**

### **Management's Discussion and Analysis As of and for the Year Ended December 31, 2007**

#### **Fund Financial Analysis**

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

#### **Governmental Funds**

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

The general fund is the only fund of the District. At the end of the current year, the total fund balance for the general fund was \$889,976, all of which was unreserved and represented 71 percent of total general fund expenditures.

#### **General Fund Budgetary Highlights**

The District demonstrated legal compliance by adopting and amending its budget in accordance with provisions of the Local Government Budget Act. As required by state law, actual revenues and other sources were within five percent of budgeted revenues and other sources. Actual expenditures and other uses were within five percent of budgeted expenditures and other uses.

#### **Capital Assets and Debt Administration**

##### **Capital Assets**

The District's investment in capital assets as of December 31, 2007 amounts to \$1,084,247 (net of depreciation). The total increase in the District's investment in capital assets for the current fiscal year was \$51,544 (net of depreciation).

**Livingston Parish Gravity Drainage District Five**

**Management's Discussion and Analysis  
As of and for the Year Ended December 31, 2007**

The following table provides a summary of the District's capital assets (net of depreciation) at the end of the current year as compared to the prior year. For more detailed information, see Note 6 of the financial statements.

**Capital Assets (Net of Depreciation)  
2007 and 2006**

<b>Capital Assets</b>	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006</b>
Land	\$ 68,017	\$ 17,000
Buildings and Improvements	288,052	284,838
Machinery and Equipment	1,257,862	1,110,125
Furniture and Fixtures	15,360	12,480
Vehicles	227,530	227,530
Subtotal Capital Assets	<u>1,856,821</u>	<u>1,651,973</u>
Less: Accumulated Depreciation	<u>(772,574)</u>	<u>(619,270)</u>
<b>Capital Assets, Net</b>	<b><u>\$ 1,084,247</u></b>	<b><u>\$ 1,032,703</u></b>

Major capital asset additions included the following:

- Lot Adjacent to current building \$ 51,017
- Two Kubota Tractors and a Rotary Mower \$ 95,164
- Culvert Cleaner \$ 40,985

There were no Major capital asset deletions.

**Contacting the District's Financial Management**

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

**Basic Financial Statements**  
**Government-Wide Financial Statements**

**Livingston Parish Gravity Drainage District Five**  
**Statement of Net Assets**  
**As of December 31, 2007**

**Statement A**

		<u>Primary Governmental Governmental Activities</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$	183,863
Investments		583,623
Receivables, Net:		
Intergovernmental		99,910
Prepaid Insurance		35,722
Other		879
<b>Total Current Assets</b>		<u>903,997</u>
<b>Capital Assets:</b>		
Land		68,017
Capital Assets, Net		1,016,230
<b>Total Capital Assets</b>		<u>1,084,247</u>
<b>Total Assets</b>		<u>1,988,244</u>
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Accounts Payable		4,897
Other Accrued Payables		9,124
<b>Total Current Liabilities</b>		<u>14,021</u>
<b>Total Liabilities</b>		<u>14,021</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt		1,084,247
Unrestricted		889,976
<b>Total Net Assets</b>	<b>\$</b>	<u>1,974,223</u>

The accompanying notes are an integral part of this financial statement.

**Livingston Parish Gravity Drainage District Five**  
**Statement of Activities**  
**For the year ended December 31, 2007**

**Statement B**

	<u>Program Revenues</u>	<u>Net (Expenses) Revenues and Changes in Net Assets</u>
	<u>Charges for Services</u>	<u>Governmental Activities</u>
	<u>Expenses</u>	
<b>Governmental Activities</b>		
Public Works	\$ 1,201,085	\$ (1,201,085)
<b>Total Governmental Activities</b>	<u>1,201,085</u>	<u>(1,201,085)</u>
<b>General Revenues:</b>		
<b>Taxes:</b>		
Sales Tax		1,222,251
Interest Income		33,826
Miscellaneous		7,381
<b>Total General Revenues and Transfers</b>		<u>1,263,458</u>
<b>Change in Net Assets</b>		<u>62,373</u>
<b>Net Assets - Beginning</b>		<u>1,911,850</u>
<b>Net Assets - Ending</b>		<u>\$ 1,974,223</u>

The accompanying notes are an integral part of this financial statement.



**Basic Financial Statements**  
**Fund Financial Statements**  
**Governmental Fund Financial Statements**

## Statement C

**Livingston Parish Gravity Drainage District Five  
Balance Sheet, Governmental Funds  
As of December 31, 2007**

	<u>General Fund</u>
<b>Assets</b>	
Cash and Equivalents	\$ 183,863
Investments	583,623
Receivables, Net:	
Intergovernmental	99,910
Prepaid Insurance	35,722
Other	879
<b>Total Assets</b>	<b>\$ <u>903,997</u></b>
<b>Liabilities and Fund Balances</b>	
<b>Liabilities:</b>	
Accounts Payable	\$ 4,897
Accrued Salaries	5,874
Other Accrued Liabilities	3,250
<b>Total Liabilities</b>	<b><u>14,021</u></b>
<b>Fund Balances:</b>	
Unreserved Fund Balances	889,976
<b>Total Fund Balances</b>	<b><u>889,976</u></b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ <u>903,997</u></b>

The accompanying notes are an integral part of this financial statement.

**Livingston Parish Gravity Drainage District Five  
Reconciliation of the Governmental Funds Balance Sheet  
to the Government-Wide Financial Statement of Net Assets  
As of December 31, 2007**

Amounts reported for governmental activities in the Statement of Net Assets are different because:

<b>Fund Balances, Total Governmental Funds (Statement C)</b>	<b>\$ 889,976</b>
 Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds.	
 Governmental capital assets net of depreciation	 1,084,247
 <b>Net Assets of Governmental Activities (Statement A)</b>	 <b><u>\$ 1,974,223</u></b>

The accompanying notes are an integral part of this financial statement.

## Statement E

**Livingston Parish Gravity Drainage District Five**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**For the year ended December 31, 2007**

	<u>General Fund</u>
<b>Revenues</b>	
Sales Tax	\$ 1,222,251
Interest	33,826
Miscellaneous	7,381
<b>Total Revenues</b>	<u>1,263,458</u>
 <b>Expenditures</b>	
<b>Public Works</b>	
Salaries	487,185
Benefits	208,159
Payroll Taxes	38,268
Board Member Per Diem	12,700
Collection Costs	25,679
Insurance	99,716
Other operating	14,375
Professional Fees	37,192
Repairs and Maintenance	42,176
Supplies	28,845
Utilities	13,776
Vehicle Expenses	39,711
Capital Outlays	204,848
<b>Total Expenditures</b>	<u>1,252,630</u>
<b>Net Change in Fund Balances</b>	<u>10,828</u>
 <b>Fund Balances, Beginning</b>	 <u>879,148</u>
<b>Fund Balances, Ending</b>	<b>\$ <u>889,976</u></b>

The accompanying notes are an integral part of this financial statement.

**Livingston Parish Gravity Drainage District Five  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the year ended December 31, 2007**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances, Total Governmental Funds, Statement E \$ 10,828

Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital assets	\$ 204,848	
Less:		
Current year depreciation	<u>(153,303)</u>	51,545

Change in Net Assets of Governmental Activities, Statement B \$ 62,373

The accompanying notes are an integral part of this financial statement.

**Basic Financial Statements**  
Notes to the Financial Statements

**Livingston Parish Gravity Drainage District Five**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2007**

**Introduction**

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

The District is located in Walker, Louisiana. The purpose of the District is to provide maintenance services to drainage structures within the boundaries of the District. The District is composed of five board members who are appointed by the Parish Council of Livingston for four year terms. Board members are compensated for meeting attendance at the rate of \$100 per meeting. The District serves portions of Walker and surrounding areas.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Livingston Parish Gravity Drainage District Five is considered a component unit of Livingston Parish Government. As a component unit, the accompanying financial statements are included within the reporting of the primary government, either blended into those financial statements or separately reported as discrete component units. The District employs 17 full-time employees in addition to 5 board members.

**1. Summary of Significant Accounting Policies**

**A. Government-Wide and Fund Financial Statements**

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

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

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

**Livingston Parish Gravity Drainage District Five**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2007**

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable, if any, due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental fund:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**C. Deposits and Investments**

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



**Livingston Parish Gravity Drainage District Five  
Notes to the Financial Statements  
As of and for the Year Ended December 31, 2007**

**D. Receivables and Revenues**

Sales and use taxes are levied at one half of one percent by the Livingston Parish School Board on behalf of the District upon the sale at retail, the use, the lease or rental, the consumption and storage for use or consumption, of tangible personal property and on sales of services within the Gravity Drainage District Five of the Parish of Livingston for the purpose of acquiring drainage works, equipment and facilities necessary to construct, maintain and operate outlets for the waters of the District, and preventing flooding within said District.. Voters approved an extension of the sales tax in 2005 to 2015. Sales tax revenues were \$1,222,251 and \$1,148,261 respectively for the years ending December 31, 2007 and 2006. There is a receivable of \$99,910 for revenues related to sales taxes at year end, which was collected by the District subsequent to the fiscal period.

**E. Inventories and Prepaid Items**

All inventories, if held, are valued at cost using the first-in/first-out method. Inventories of the governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**F. Capital Assets**

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings & Improvements	40 Years
Machinery and Equipment	5 - 10 Years
Furniture and Fixtures	5 Years
Vehicles	5 - 10 Years

**Livingston Parish Gravity Drainage District Five**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2007**

**G. Compensated Absences**

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

Vacation is earned from the first day of employment but cannot be taken until after the first year of employment. Full time employees with one to seven years of continuous employment receive ten working days of paid vacation each year. Employees with eight to seventeen years of continuous employment receive fifteen working days of paid vacation each year. Employees with eighteen or more years of continuous service receive twenty working days of paid vacation each year. Employees may carry over one week of accrued vacation time to the following year. However, any vacation will be forfeited if not taken after June 1<sup>st</sup> of the following year. If termination occurs after six months of continuous service, the terminated employee shall receive payment for the unused vacation earned.

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

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

**H. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**I. Comparative Data/Reclassifications**

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**J. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the municipality, which are either unusual in nature or infrequent in occurrence.

**K. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amount 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 reported period. Actual results could differ from those estimates.

**Livingston Parish Gravity Drainage District Five**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2007**

**L. Reconciliations of Government-Wide and Fund Financial Statements**

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets is presented in Statement D of the basic financial statements. Explanation of certain differences between the governmental fund statement of revenues, expenses, and changes in fund balances and the government-wide statement of activities is presented in Statement F of the basic financial statements.

**2. Stewardship, Compliance and Accountability**

The District uses the following budget practices:

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

For the fiscal year ended December 31, 2007, there were no actual revenues and other sources or actual expenditures and other uses that were above budget appropriation that would have resulted in unfavorable variances that were in violation of the Local Government Budget Act.

**Livingston Parish Gravity Drainage District Five**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2007**

**3. Cash and Cash Equivalents**

At December 31, 2007, the District has cash and cash equivalents (book balances) as follows:

Cash on Hand	\$	250
Interest Bearing Demand Deposits		<u>183,613</u>
	\$	<u>183,863</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) and certificates of deposits held must be secured by federal deposit insurance or the pledge of securities owned 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. 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.

At December 31, 2007, the municipality has \$789,712 in deposits (collected bank balances), consisting of \$206,089 in demand deposits and \$583,623 in certificates of deposits. These deposits are secured from risk by \$100,000 of federal deposit insurance and \$689,712 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

**4. Investments**

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the District or its agent in the District's name
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the District's name

All investments held by the District fall into category 1 credit risk, defined as "insured or registered, or securities held by the District or its agent in the District's name." In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments are carried at fair market value, with the estimated fair market value based on quoted market prices. At December 31, 2007, the District only held interest bearing certificates of deposit at two banks totaling \$583,623. The certificates bear interest rates ranging from 3.44 percent to 5.10 percent and mature on or before June 10, 2008. The certificates of deposit are not included in cash equivalents at December 31, 2007 because their original maturity date is greater than three months. Any penalty for early withdrawal would not have a material effect on the financial statements.

**Livingston Parish Gravity Drainage District Five  
Notes to the Financial Statements  
As of and for the Year Ended December 31, 2007**

**5. Receivables**

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

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

The Governmental Fund receivables at December 31, 2007 consist of the following:

<b>Government Receivables</b>	<b>General Fund</b>
Sales Tax Receivable	\$ 99,910
<b>Total Government Receivables</b>	<b>\$ 99,910</b>

**Livingston Parish Gravity Drainage District Five**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2007**

**6. Capital Assets**

Capital assets and depreciation activity as of and for the year ended December 31, 2007 for governmental activities is as follows:

<b>Governmental Activities Capital Assets:</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 17,000	\$ 51,017	\$ -	\$ 68,017
<b>Total Capital Assets Not Being Depreciated</b>	<u>17,000</u>	<u>51,017</u>	<u>-</u>	<u>68,017</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings	284,838	3,214	-	288,052
Machinery and Equipment	1,110,125	147,737	-	1,257,862
Furniture and Fixtures	12,480	2,880	-	15,360
Vehicles	<u>227,530</u>	<u>-</u>	<u>-</u>	<u>227,530</u>
<b>Total Capital Assets Being Depreciated</b>	<u>1,634,973</u>	<u>153,831</u>	<u>-</u>	<u>1,788,804</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	25,830	7,205	-	33,035
Machinery and Equipment	529,762	115,641	-	645,403
Furniture and Fixtures	6,031	2,495	-	8,526
Vehicles	<u>57,648</u>	<u>27,962</u>	<u>-</u>	<u>85,610</u>
<b>Total Accumulated Depreciation</b>	<u>619,271</u>	<u>153,303</u>	<u>-</u>	<u>772,574</u>
<b>Total Capital Assets Being Depreciated, Net</b>	<u>1,015,702</u>	<u>528</u>	<u>-</u>	<u>1,016,230</u>
<b>Total Governmental Activities Capital Assets, Net</b>	<u>\$ 1,032,702</u>	<u>\$ 51,545</u>	<u>\$ -</u>	<u>\$ 1,084,247</u>
Depreciation was charged to governmental functions as follows:				
Public Works				\$ <u>153,303</u>

**Livingston Parish Gravity Drainage District Five**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2007**

**7. Retirement Systems**

The District employees participate in an IRC 403 (b) Plan administered by American Fund. All full time and part time employees are eligible to participate. The plan will run from April 1 through March 31 of each year. The Board will set the retirement benefits of each year prior to April 1 of each year. For the period of April 1, 2007 through March 31, 2008, the District will contribute a matching contribution up to 10 percent of each employee's annual income. Retirement expense at December 31, 2007 was \$25,262.

**8. Risk Management**

The District is exposed to various risks of loss related to theft, damage, or destruction of assets, torts, injuries, natural disasters, and many other unforeseeable events. The District purchases commercial insurance policies and bonds for any and all claims related to the aforementioned risks. The District's payment of the insurance policy deductible is the only liability associated with these policies and bonds. There has been no significant decrease in insurance coverage from the prior year, and the amount of settlements has not exceeded the insurance coverage for the past three fiscal years.

**9. Contingent Liabilities**

At December 31, 2007, the District was not involved in any outstanding litigation or claims.

## Required Supplemental Information (Part II)



**Livingston Parish Gravity Drainage District Five**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**  
**General Fund**  
**For the year ended December 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	GAAP Basis	Favorable (Unfavorable)
<b>Revenues</b>				
Sales Tax	\$ 1,200,000	\$ 1,225,000	\$ 1,222,251	\$ (2,749)
Interest	35,000	55,000	33,826	(21,174)
Miscellaneous	-	400	7,381	6,981
<b>Total Revenues</b>	<u>1,235,000</u>	<u>1,280,400</u>	<u>1,263,458</u>	<u>(16,942)</u>
<b>Expenditures</b>				
Highways and Streets				
Salaries	475,000	500,000	487,185	12,815
Benefits	146,000	206,370	208,159	(1,789)
Payroll Taxes	55,000	42,000	38,268	3,732
Advertising	3,000	2,200	1,926	274
Board Member Per Diem	12,000	12,800	12,700	100
Collection Costs	24,000	26,000	25,679	321
Insurance	135,000	135,000	99,716	35,284
Other operating	19,250	19,350	12,449	6,901
Professional Fees	50,000	50,000	37,192	12,808
Rent	2,000	-	-	-
Repairs and Maintenance	44,500	50,000	42,176	7,824
Supplies	40,600	30,786	28,845	1,941
Utilities	15,000	15,000	13,776	1,224
Vehicle Expenses	41,000	42,500	39,711	2,789
Capital Outlays	250,000	217,400	204,848	12,552
<b>Total Expenditures</b>	<u>1,312,350</u>	<u>1,349,406</u>	<u>1,252,630</u>	<u>96,776</u>
<b>Excess Revenues (Expenditures)</b>	<u>(77,350)</u>	<u>(69,006)</u>	<u>10,828</u>	<u>79,834</u>
<b>Net Change in Fund Balances</b>	<u>(77,350)</u>	<u>(69,006)</u>	<u>10,828</u>	<u>79,834</u>
<b>Fund Balances, Beginning</b>	<u>879,148</u>	<u>879,148</u>	<u>879,148</u>	<u>-</u>
<b>Fund Balances, Ending</b>	<u>\$ 801,798</u>	<u>\$ 810,142</u>	<u>\$ 889,976</u>	<u>\$ 79,834</u>

## Other Supplemental Information

**Schedule 2**

**Livingston Parish Gravity Drainage District Five  
 Schedule of Compensation Paid to Board Members  
 For the year ended December 31, 2007**

<u>Name and Title / Contact Number</u>	<u>Address</u>	<u>Compensation Received</u>
Preston Killcrease, Chairman (225) 405-6266	29538 Willow Glen Street Denham Springs, LA 70726	\$ 2,600
W. Ramsey Huffman, Vice Chairman (225) 405-1107	13990 Hartman Lane Walker, LA 70785	2,300
Richard Harris, Treasurer (225) 603-9482	27710 Gaylord Road Walker, LA 70785	2,600
Calvin Comeaux (225) 665-8040	30883 Burgess Road Denham Springs, LA 70726	2,600
Jimmy Dunlap (225) 665-6964	32800 North Walker Road Walker, LA 70785	2,600
		<u>\$ 12,700</u>

## **Other Reports**

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

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

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, of the **Livingston Parish Gravity Drainage District Five**, as of and for the year ended December 31, 2007, which collectively comprise the **Livingston Parish Gravity Drainage District Five's** basic financial statements and have issued my report thereon dated February 28, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the **Livingston Parish Gravity Drainage District Five's** internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not to for the purpose of expressing an opinion on the effectiveness of the **Livingston Parish Gravity Drainage District Five's** internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the **Livingston Parish Gravity Drainage District Five's** internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

**Compliance**

As part of obtaining reasonable assurance about whether the **Livingston Parish Gravity Drainage District Five's** financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

This report is intended solely for the information and use of management, **Livingston Parish Gravity Drainage District Five's** Board of Directors, others within the entity, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

*Leroy J. Chuatz*

**Certified Public Accountant, APAC**

**February 28, 2008**

**Livingston Parish Gravity Drainage District Five  
Schedule of Findings  
Year Ended December 31, 2007**

**A. SUMMARY OF AUDIT RESULTS**

**Section I -Internal Control and Compliance Material to the Financial Statements**

No Section I findings.

**Section II -Internal Control and Compliance material to Federal Awards**

No Section II findings.

**Section III -Management Letter**

No management letter was issued.

**Livingston Parish Gravity Drainage District Five  
Status of Prior Year Findings  
For The Year Ended December 31, 2007**

**A. SUMMARY OF PRIOR YEAR AUDIT RESULTS**

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

**B. PRIOR YEAR FINDINGS--FINANCIAL STATEMENTS AUDIT**

There were no prior year findings.



February 28, 2008

To the Board of Commissioners of  
Livingston Gravity Drainage District Number Five

I have audited the financial statements of the governmental activities, of Livingston Gravity Drainage District Number Five for the year ended December 31, 2007, and have issued my report thereon dated February 28, 2008. Professional standards require that I provide you with the following information related to my audit.

My Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in my engagement letter dated November 13, 2007, my responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

As a part of my audit, I considered the internal control of Livingston Gravity Drainage District Number Five. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

As a part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of Livingston Gravity Drainage District Number Five's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my tests was not to provide an opinion on compliance with such provisions.

My responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

I am responsible for communicating significant matters related to the audit that are, in my professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, I am not required to design procedures specifically to identify such matters.

My responsibility for other information in documents containing the entity's financial statements and report does not extend beyond the financial information identified in the report. I do not have an obligation to perform any procedures to corroborate other information contained in these documents, such as management's discussion and analysis and supplementary budgetary statements.

Planned Scope and Timing of the Audit

I performed the audit according to the planned scope and timing previously communicated to you in my Entrance Memorandum about planning matter on December 6, 2007.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policy used by Livingston Gravity Drainage District Number Five is described in Note 1 to the financial statements, no new accounting policies were adopted and the application of existing policies was not changed during 2007. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the depreciation expense and useful life of capital assets is based on policy guidelines. I evaluated the key factors and assumptions used to develop the capital asset policy in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

Policy estimates of useful lives for significant capital assets.

### *Difficulties Encountered in Performing the Audit*

I encountered no significant difficulties in dealing with management in performing and completing my audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No adjustments were identified in the course of my audit.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

### *Management Representations*

I have requested certain representations from management that are included in the management representation letter dated February 28, 2008.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the government unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the government unit's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

This information is intended solely for the use of the Board of Commissioners and management of Livingston Gravity Drainage District Number Five and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Leroy J. Chustz*

Leroy J. Chustz, CPA, APAC

**LEROY J. CHUSTZ, CPA, APAC**

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

**Livingston Parish Gravity Drainage District Number 5  
Livingston Parish, Louisiana**

In planning and performing my audit of the financial statements of Livingston Gravity Drainage District Number Five, for the year ended December 31, 2007, I considered the District's internal controls in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during my audit I became aware of several matters that are opportunities for strengthening internal controls, improving operating efficiencies, and reducing expenses. The memorandum that accompanies this letter summarizes my comments and recommendations regarding those matters. I previously reported on the District's internal control in my report dated February 28, 2008. A separate report dated February 28, 2008, contains my report on reportable conditions in the District's compliance with laws and regulations. This letter does not affect my report dated February 28, 2008, on the financial statements of Livingston Gravity Drainage District Number Five.

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

*Leroy J. Chustz*

Leroy J. Chustz, CPA, APAC, CGFM  
February 28, 2008

**Livingston Gravity Drainage District Number Five  
Management Comments  
Year Ended December 31, 2007**

**CURRENT YEAR COMMENTS**

- We observed that the fuel is being purchased in bulk quantities. While most purchases are less than \$2,000, the amount of purchases over the entire year is greater than \$18,000. With the constraints of the current fuel market, I do not believe it is feasible to solicit bids for a year or any other shorter period. I recommend that each time fuel is needed, a list of potential suppliers be contacted for the spot price and the lowest priced supplier be awarded the purchase order.
  
- There is no tracking system for usage of fuel. Consequently, there is insufficient control on the consumption of fuel. The District should institute controls that track usage of fuel by vehicle and analyze consumption rates for each vehicle.
  
- We suggest that at least annually a physical inventory be taken to determine existence of all capital assets owned by the District.
  
- We noted a duplicate payment for insurance made during the year 2007. The District discovered the duplicate payment and instead of applying for a refund, the District requested that the payment be applied to the next payment due. The result is that there is a comparatively large prepaid insurance amount reported in the financial statements. The District should improve its monitoring of the disbursement system to prevent duplicate payments in the future.