

LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1

REPORT ON AUDIT OF COMPONENT
UNIT FINANCIAL STATEMENTS

DECEMBER 31, 2016

TABLE OF CONTENTS

Independent Auditor's Report.....	Page 1 - 3
Required Supplemental Information Management's Discussion and Analysis.....	4 - 9
Government-Wide Financial Statements:	
Statement of Net Position.....	10
Statement of Activities.....	11
Fund Financial Statements:	
Balance Sheet - General Fund.....	12
Reconciliation of the General Fund Balance Sheet to the Statement of Net Position.....	13
Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund.....	14 - 15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the General Fund to the Statement of Activities.....	16
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual – General Fund.....	17 - 18
Notes to the Financial Statements.....	19 - 32
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Component Unit Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33 - 34
Schedule of Findings and Responses.....	35
Schedule of Prior Audit Findings.....	36



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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, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Basis for Modified Opinion

As described in Note 12 to the financial statements, management has not recorded an estimated expenditure, liability, revenue or receivable related to Hurricane Gustav debris removal services received under a cooperative endeavor agreement between the Livingston Parish Council and the Livingston Parish Gravity Drainage District #1. Documentation related to the costs associated with these services has not been provided by the Livingston Parish Council or the debris removal contractors for management to be able to estimate and record the estimated amounts in the financial statements.

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

Opinions

In our opinion, except for the effect of the matter described in the "Basis for Modified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund (the General Fund) of the Livingston Parish Gravity Drainage District # 1 as of December 31, 2016, 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, 2015 financial statements, and we expressed a modified opinion on those audited financial statements in our report dated May 24, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

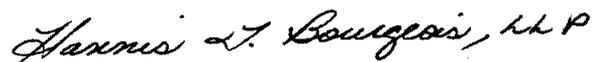
Required Supplementary Information

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 27, 2017, 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,



Denham Springs, Louisiana
June 27, 2017

Livingston Parish Gravity Drainage
District #1
Denham Springs, Louisiana
Management Discussion and Analysis
December 31, 2016

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, 2016. 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, 2016 was \$4,739,175.
- * The Net Position of the Governmental Activities showed an increase of \$635,058 representing a 15.47% increase in 2016.
- * The total general fund balance at December 31, 2016 was \$3,371,597. This reflects an actual increase in 2016 of \$818,747 or 32.07% mainly caused by increases in sales tax collections for 2016.
- * At the end of 2016, Unassigned General Fund Balance of \$3,308,917 represents 166.8% of total General Fund Expenditures.
- * The District had a 37.05% increase in the amount of sales tax revenue in 2016. The sales tax revenue totaled \$2,078,251 in 2016 and \$1,516,410 in 2015 representing 74.18% and 63.90% of the total revenues in each of the respective years.
- * The District had a 14.19% decrease in the amount of ad valorem tax revenue in 2016. The ad valorem revenue totaled \$683,967 in 2016 and \$797,051 in 2015 representing 24.41% and 33.59% of the total revenues in each of the respective years. The disaster flood of 2016 impacted the ad valorem tax base negatively resulting in the difference.

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.

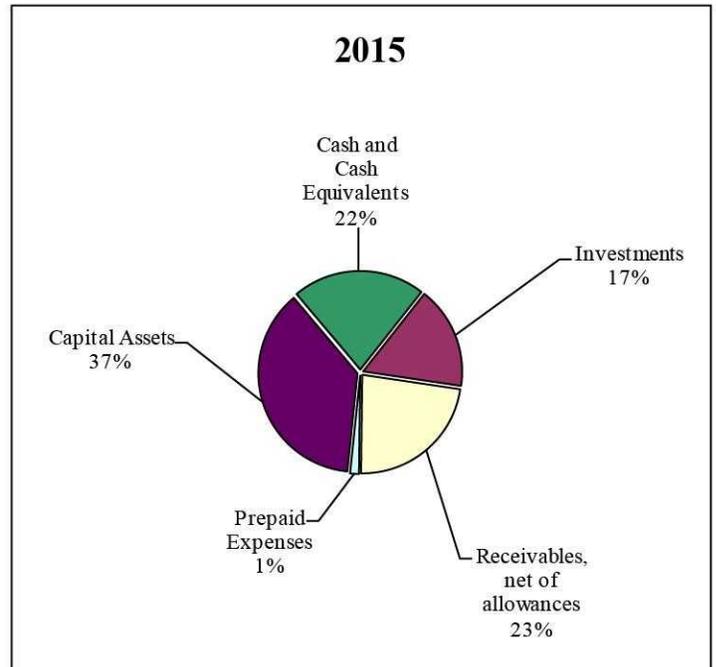
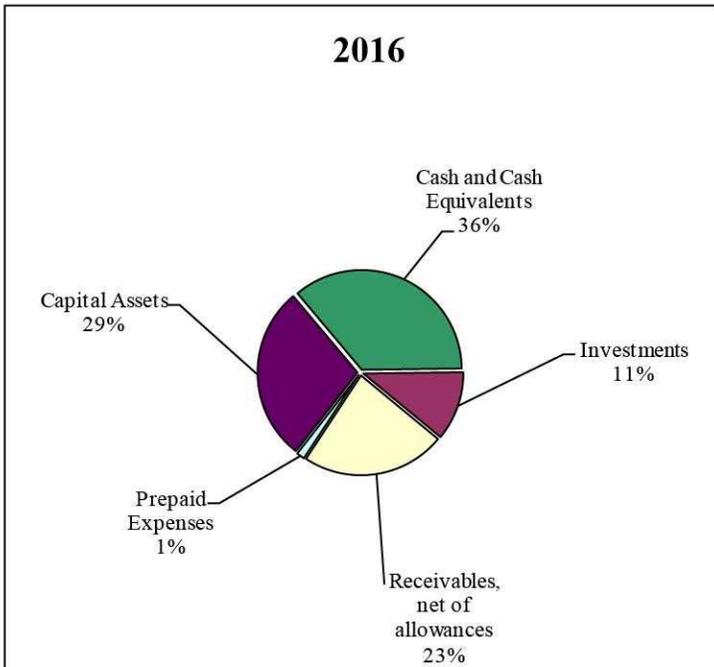
Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 32 of this report.

STATEMENT OF NET POSITION

The following is a schedule of the District's net position at December 31, 2016 and 2015. 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 2016 and 2015 by a total of \$4,739,175 and \$4,104,117, respectively.

Condensed Statements of Net Position

	<u>2016</u>	<u>2015</u>	<u>Increases (Decreases)</u>
Cash and Cash Equivalents	\$ 1,733,253	\$ 903,677	\$ 829,576
Investments	540,577	697,390	(156,813)
Receivables, net of allowances	1,123,381	950,944	172,437
Prepaid Expenses-Inventory	62,680	59,441	3,239
Capital Assets, Net of Accumulated Depreciation	<u>1,367,578</u>	<u>1,551,267</u>	<u>(183,689)</u>
 Total Assets	 4,827,469	 4,162,719	 664,750
 Current Liabilities	 <u>88,294</u>	 <u>58,602</u>	 <u>29,692</u>
 Total Liabilities	 88,294	 58,602	 29,692
 Net Position			
Net Investment in Capital Assets	1,367,578	1,551,267	(183,689)
Unrestricted	<u>3,371,597</u>	<u>2,552,850</u>	<u>818,747</u>
 Total Net Position	 <u>\$ 4,739,175</u>	 <u>\$ 4,104,117</u>	 <u>\$ 635,058</u>



STATEMENT OF ACTIVITIES

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

The majority of the funding for the District’s operation and maintenance is provided by sales taxes on public sales within the boundaries of the District. The District collects a one-half cent sales and use tax within the boundaries of the District which is placed into the general fund. The District’s voters passed a renewal of the 5 mill Ad Valorem property tax in 2010 and collected 4.43 mills in 2016. 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>2016</u>	<u>2015</u>	<u>Increases (Decreases)</u>
Revenues:			
General Revenues	\$ 2,801,561	\$ 2,372,932	\$ 428,629
	2,801,561	2,372,932	428,629
Expenses:			
Public Works	1,962,356	2,045,625	(83,269)
Depreciation	204,147	234,750	(30,603)
	<u>2,166,503</u>	<u>2,280,375</u>	<u>(113,872)</u>
Change in Net Position	\$ <u>635,058</u>	\$ <u>92,557</u>	\$ <u>542,501</u>

REVENUES

* Sales and use tax revenue increased by \$561,841 or 37.05 % in 2016 from the previous year. Ad valorem taxes decreased by \$113,084 or 14.19%.

EXPENSES

Total expenses for 2016 decreased by \$113,872 (net). This net decrease in operating expense was because of the following:

- * Salaries and payroll taxes increased \$36,574 over the past year with an increase in staff.
- * Depreciation expense decreased \$30,603 in 2016.
- * Health insurance, utility costs, sales tax collection fees, and supplies all increased by a total of \$45,941 in 2016 along with some category decreases.
- * Engineering fees included in professional fees decreased by \$125,505 since the Gray's Creek study was completed in 2015 (Engineering costs were attributed to the modeling project for the Gray's Creek Watershed Project).

BUDGETARY HIGHLIGHTS

- * The final amended budget for revenues in 2016 reflects an increase of \$71,500. This was caused by another year of upturn in local sales tax revenue collections from original adopted budget totals and the uncertainty of the flood disaster impact on the District.
- * In 2016, the District received \$503,967 more than the final amended revenue budget or a 21.97% favorable variance and in 2015 revenues were more than the final amended revenue budget by \$146,832 or 6.62% favorable variance. The flood disaster vehicle purchases were far greater than expected in late 2016 which resulted in greater favorable variance.
- * In 2016, the final amended budget for expenditures was basically unchanged as compared to an increase of \$437,300 for the final amended budget for expenditures in 2015. The 2016 final amended budget reflected a decrease in capital outlay expenditures in the amount of \$335,000 due to reduction in planned equipment purchases in 2016.
- * Total actual expenditures in 2016 were less than the final amended budget by \$81,986 or 3.97%, while in 2015 total expenditures were less than the final amended budget by \$38,478 or 1.14%.

CAPITAL ASSETS

The District's investment in capital assets as of December 31, 2016 and 2015 amounts to \$1,367,578 and \$1,551,267 (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery, and equipment. The total net decrease in the District's cost of investment in capital assets for 2016 was \$183,689 or 11.84%.

2016: Total cost of additions equaled \$20,458
Equipment purchased amounted to \$2,745
Improvements amounted to \$17,713
Depreciation expense for 2016 amounted to \$204,147

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, and capital outlay for related maintenance equipment is estimated in 2017 and beyond. A modeling system is in process for engineering of the major tributary (Gray's Creek Watershed Project) which will add expenses of major improvements within the next five years. The District adopted a budget amount equal to \$360,000 for Capital Outlay in 2017 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, 2016
(With Comparative Totals as of December 31, 2015)

ASSETS

	Governmental Activities	
	2016	2015
Assets:		
Cash and Cash Equivalents	\$ 1,733,253	\$ 903,677
Investments	540,577	697,390
Due From Other Governments	9,136	9,720
Ad Valorem Taxes Receivable, Net of Allowance	672,177	653,890
Sales Tax Receivable, Net of Collection Fees	441,962	284,350
Other Receivables	106	2,984
Inventory	3,120	1,853
Prepaid Insurance	59,560	57,588
Capital Assets, Net of Accumulated Depreciation	1,367,578	1,551,267
Total Assets	\$ 4,827,469	\$ 4,162,719

LIABILITIES

Liabilities:		
Accounts Payable	\$ 77,752	\$ 48,505
Accrued Liabilities	10,542	10,097
Total Liabilities	88,294	58,602

NET POSITION

Net Investment in Capital Assets	1,367,578	1,551,267
Unrestricted	3,371,597	2,552,850
Total Net Position	4,739,175	4,104,117
Total Liabilities and Net Position	\$ 4,827,469	\$ 4,162,719

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, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Governmental Activities:		
Expenses:		
Public Works	\$ 1,962,356	\$ 2,045,625
Depreciation	204,147	234,750
	2,166,503	2,280,375
General Revenues:		
Ad Valorem Tax	683,967	797,051
Sales Tax	2,078,251	1,516,410
State Revenue Sharing	27,408	28,992
Net Realized and Unrealized Gains (Losses) on Investments	3,676	(5,741)
Miscellaneous	-	15,000
Interest	4,665	10,620
Net Gain on Sale of Assets	3,594	10,600
	2,801,561	2,372,932
Change in Net Position	635,058	92,557
Net Position - Beginning of Year	<u>4,104,117</u>	<u>4,011,560</u>
Net Position - End of Year	<u>\$ 4,739,175</u>	<u>\$ 4,104,117</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, 2016
(With Comparative Totals as of December 31, 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,733,253	\$ 903,677
Investments	540,577	697,390
Due From Other Governments	9,136	9,720
Ad Valorem Taxes Receivable, Net of Allowance	672,177	653,890
Sales Tax Receivable, Net of Collection Fees	441,962	284,350
Other Receivables	106	2,984
Inventory	3,120	1,853
Prepaid Insurance	59,560	57,588
	<u>\$ 3,459,891</u>	<u>\$ 2,611,452</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts Payable	\$ 77,752	\$ 48,505
Accrued Liabilities	10,542	10,097
	<u>88,294</u>	<u>58,602</u>
Fund Equity:		
Fund Balance:		
Nonspendables:		
Inventory and Prepaid Insurance	62,680	59,441
Unassigned	3,308,917	2,493,409
	<u>3,371,597</u>	<u>2,552,850</u>
Total Fund Equity	<u>\$ 3,371,597</u>	<u>\$ 2,552,850</u>
Total Liabilities and Fund Equity	<u>\$ 3,459,891</u>	<u>\$ 2,611,452</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, 2016
(With Comparative Totals as of December 31, 2015)

	<u>2016</u>	<u>2015</u>
Fund Balances - Total Governmental Fund	\$ 3,371,597	\$ 2,552,850
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	3,569,120	3,548,662
Less: Accumulated Depreciation	<u>(2,201,542)</u>	<u>(1,997,395)</u>
	<u>1,367,578</u>	<u>1,551,267</u>
Net Position of Governmental Activities	<u>\$ 4,739,175</u>	<u>\$ 4,104,117</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, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
Revenues:		
Ad Valorem Taxes	\$ 683,967	\$ 797,051
Sales Tax	2,078,251	1,516,410
State Revenue Sharing	27,408	28,992
Net Realized and Unrealized Gains (Losses) on Investments	3,676	(5,741)
Miscellaneous	-	15,000
Interest	4,665	10,620
	<u>2,797,967</u>	<u>2,362,332</u>
Total Revenues		
Expenditures:		
Public Works:		
Salaries	854,198	819,722
Per Diem-Board Members	9,800	9,600
Payroll Taxes	67,272	65,374
Retirement Contributions	57,720	61,231
Health Insurance	150,154	145,591
Assessor's Pension Fund	26,919	30,846
Business Insurance	113,326	102,250
Fuel	33,333	42,808
Legal and Professional Fees	381,959	507,464
Supplies	118,120	88,378
Miscellaneous	1,789	6,816
Office Supplies	8,824	10,179
Repairs and Maintenance	53,530	57,064
Sales Tax Collection Fees	32,893	23,023
Storm Damage Expense	5,263	28,872
Telephone	8,271	8,955
Uniforms	20,656	20,889
Utilities	18,329	16,563
	<u>1,962,356</u>	<u>2,045,625</u>
Capital Outlay	<u>20,458</u>	<u>210,197</u>
Total Expenditures	<u>1,982,814</u>	<u>2,255,822</u>

(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, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
Excess of Revenues over Expenditures	815,153	106,510
Other Financing Sources:		
Proceeds from Sale of Assets	<u>3,594</u>	<u>10,600</u>
Excess of Revenues and Other Sources Over Expenditures	818,747	117,110
Fund Balance at Beginning of Year	<u>2,552,850</u>	<u>2,435,740</u>
Fund Balance at End of Year	<u><u>\$ 3,371,597</u></u>	<u><u>\$ 2,552,850</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, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	2016	2015
Net Change in Fund Balances - Total Governmental Fund	\$ 818,747	\$ 117,110
<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	20,458	210,197
Depreciation Expense	(204,147)	(234,750)
	(183,689)	(24,553)
Add accumulated depreciation on capital assets retired during the year	-	49,737
Less cost basis of capital assets retired during the year	-	(49,737)
	-	-
Change in Net Position of Governmental Activities	\$ 635,058	\$ 92,557

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, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues:				
Ad Valorem Taxes	\$ 800,000	\$ 586,700	\$ 683,967	\$ 97,267
Sales Tax	1,390,000	1,675,000	2,078,251	403,251
State Revenue Sharing	29,000	28,000	27,408	(592)
Net Realized and Unrealized Gains (Losses) on Investments	-	-	3,676	3,676
Interest	3,500	4,300	4,665	365
Total Revenues	2,222,500	2,294,000	2,797,967	503,967
Expenditures:				
Public Works:				
Salaries	850,000	865,000	854,198	10,802
Per Diem- Board Members	12,000	10,300	9,800	500
Payroll Taxes	69,000	69,000	67,272	1,728
Retirement Contributions	65,000	69,000	57,720	11,280
Health Insurance	150,000	150,000	150,154	(154)
Assessor's Pension Fund	32,500	30,000	26,919	3,081
Business Insurance	120,000	120,000	113,326	6,674
Fuel	50,000	34,000	33,333	667
Legal and Professional Fees	462,000	407,000	381,959	25,041
Supplies	80,000	130,000	118,120	11,880
Miscellaneous	7,500	2,500	1,789	711
Office Supplies	10,000	8,000	8,824	(824)
Repairs and Maintenance	36,000	59,000	53,530	5,470
Sales Tax Collection Fees	25,000	27,000	32,893	(5,893)
Storm Damage Expense	-	8,000	5,263	2,737
Telephone	12,000	12,000	8,271	3,729
Uniforms	22,000	22,000	20,656	1,344
Utilities	17,000	17,000	18,329	(1,329)
Wetlands Mitigation	20,000	-	-	-
	2,040,000	2,039,800	1,962,356	77,444

(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, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Expenditures (Continued):				
Capital Outlay	360,000	25,000	20,458	4,542
Total Expenditures	2,400,000	2,064,800	1,982,814	81,986
Excess of Revenues Over Expenditures	(177,500)	229,200	815,153	585,953
Other Financing Sources:				
Proceeds from Sale of Assets	-	-	3,594	3,594
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	(177,500)	229,200	818,747	589,547
Fund Balance at Beginning of Year	2,552,850	2,552,850	2,552,850	-
Fund Balance at End of Year	<u>\$ 2,375,350</u>	<u>\$ 2,782,050</u>	<u>\$ 3,371,597</u>	<u>\$ 589,547</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, 2016

(1) Summary of Significant Accounting Policies -

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

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

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 30, 2016, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

A. Financial Reporting Entity

This report includes all funds which are controlled by or dependent on the District's Board of Commissioners. Control by or dependence on the board was determined on the basis of taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

In conformance with Governmental Accounting Standards Board, Statement 61, the District is a component unit of the Livingston Parish Council, the governing body of the parish. The accompanying financial statements present information only on the fund maintained by the District and do not present information on the Council and the general government services provided by that governmental unit.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2016

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, 2016

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, 2016, 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, 2016

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 2016 budget was discussed in a public hearing and adopted during a meeting of the Board on December 8, 2015. The amended 2016 budget was discussed in a public hearing and adopted during a meeting of the Board on December 13, 2016.

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

F. Estimates

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

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2016

G. Inventory

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

H. Encumbrances

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

The actual results of operations are presented in accordance with GAAP and the District's accounting policies do not recognize encumbrances as expenditures until the period in which the goods or services are actually received and a liability is incurred. At December 31, 2016, 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 2015

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, 2015, from which the summarized information was derived.

K. Fund Equity

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

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2016

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

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

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

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

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

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

L. Subsequent Events

The District evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through June 27, 2017, the date which the financial statements were available to be issued.

(2) Cash, Cash Equivalents and Investments -

For reporting purposes, cash and cash equivalents include cash, demand deposits, and time certificates of deposit with maturities less than 90 days. Under state law the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, any other state in the union, or under the laws of the United States. Further, the District may invest in time deposits or certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

As confirmed by the fiscal agents, the District had cash and certificates of deposit with maturities less than 90 days totaling \$1,759,775 with a carrying amount of \$1,733,253 at December 31, 2016.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2016

As of December 31, 2016, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
			<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Mutual Funds	\$ 2,933	\$ 2,933	\$ 2,933	\$ -	\$ -	\$ -
Time Certificates of Deposit	<u>537,644</u>	<u>537,644</u>	<u>537,644</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 540,577</u>	<u>\$ 540,577</u>	<u>\$ 540,577</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, 2016: 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

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2016

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, 2016, none of the District's bank balance of \$1,759,775 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, 2016, none of the District's investments of \$540,577 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).

Normally, 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.

Normally, 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, 2016

For 2016, taxes were levied in December 2016 and were due by February 24, 2017 and became delinquent on February 25, 2017. The delay was due to the August 2016 flooding event that required the Livingston Parish Assessor to reassess property taxes due to the severe and widespread damage throughout Livingston Parish caused by the flooding.

As of November 28, 2016, the re-assessed value of the property located within Gravity Drainage District No. 1 of Livingston Parish, Louisiana, was \$158,055,252. For 2016, 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, 2016, are as follows:

	General Operations <u>4.43 Mills</u>
<u>Revenues:</u>	
2016 Ad Valorem Tax Assessed	\$ 700,185
Less: 2016 Estimated Uncollectible	(28,008)
Prior Year Collections in Excess of Net Receivable	<u>11,790</u>
	<u>\$ 683,967</u>
<u>Receivable:</u>	
2016 Property Tax Assessed	\$ 700,185
Less: Current Year Taxes Collected in 2016	<u>-</u>
Taxes Receivable - Current Year	700,185
Prior Years Net Tax Receivables at December 31, 2015	653,890
Less: Prior Years Tax Collected in 2016	(665,680)
Prior Year Collections in Excess of Net Receivable	<u>11,790</u>
Tax Receivable - Prior Years	<u>-</u>
Total Property Taxes Receivable at December 31, 2016	700,185
Less: Allowance for Uncollectible Accounts	<u>(28,008)</u>
Net Property Tax Receivable at December 31, 2016	<u>\$ 672,177</u>

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2016

(4) Changes in General Fixed Assets -

<u>Governmental Activities</u>	<u>Balance December 31, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2016</u>
Capital Assets not Being Depreciated:				
Land	\$ <u>157,288</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>157,288</u>
Total Capital Assets Not being Depreciated	<u>157,288</u>	<u>-</u>	<u>-</u>	<u>157,288</u>
Capital Assets being Depreciated:				
Buildings	586,515	-	-	586,515
Improvements/Infrastructure	592,035	17,713	-	609,748
Vehicles	343,707	-	-	343,707
Equipment	1,860,430	2,745	-	1,863,175
Furniture and Fixtures	<u>8,687</u>	<u>-</u>	<u>-</u>	<u>8,687</u>
Total Capital Assets Being Depreciated	3,391,374	20,458	-	3,411,832
Less: Accumulated Depreciation for:				
Buildings	(170,733)	(20,001)	-	(190,734)
Improvements/Infrastructure	(167,206)	(27,729)	-	(194,935)
Vehicles	(249,751)	(21,118)	-	(270,869)
Equipment	(1,401,809)	(135,151)	-	(1,536,960)
Furniture and Fixtures	<u>(7,896)</u>	<u>(148)</u>	<u>-</u>	<u>(8,044)</u>
Total Accumulated Depreciation	<u>(1,997,395)</u>	<u>(204,147)</u>	<u>-</u>	<u>(2,201,542)</u>
Total Capital Assets Being Depreciated, Net	<u>1,393,979</u>	<u>(183,689)</u>	<u>-</u>	<u>1,210,290</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 1,551,267</u>	<u>\$ (183,689)</u>	<u>\$ -</u>	<u>\$ 1,367,578</u>

Depreciation expense of \$204,147 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, 2016

(5) Long-Term Debt -

The Livingston Parish Gravity Drainage District #1 has no long-term debt transactions for the year ended December 31, 2016.

(6) Leases -

The District has no outstanding capital or operating leases at December 31, 2016.

(7) Litigation -

At December 31, 2016, there is no litigation pending against the District.

(8) Compensated Absences -

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

(9) Per Diem Paid Board Members -

Each member of the Board of Commissioners is eligible to receive a per diem allowance of \$100 for attending each regular or special meeting of the board. Per diems paid to the board members for 2016 were as follows:

<u>Commissioner</u>	<u>Number of Meetings</u>	<u>Amount Received</u>
David Provost	23	\$ 2,300
Carl Stevens	17	1,700
James Whitmire	22	2,200
Lana Averette	15	1,500
Robert Borne	21	<u>2,100</u>
		<u>\$ 9,800</u>

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2016

(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, 2016:

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

(11) Pension Plan and Retirement Commitments -

On January 1, 1996, the District adopted the Putnam Prototype Simplified Employee Pension Plan (SEP) for its employees. Under this defined contribution plan, the District's Board of Commissioners establishes individual retirement accounts with Putnam Investments for each eligible employee to whom the District will make a contribution as determined on a year to year basis. Because contributions are made to individual retirement accounts, all contributions received by an employee are 100% vested. The employee may select between several investments options. The District does not guarantee the results of these investments. The District's Board of Commissioners voted to contribute 9.0% of eligible wages for 2016 which amounts to \$57,720.

(12) Contingency -

On September 19, 2008, the District entered into a Cooperative Endeavor Agreement (CEA) with the Livingston Parish Council (LPC) in accordance with Article VII Section 14 and Article VI Section 20 of the Louisiana Constitution. The purpose of the CEA was for the District to use the services of the contractor hired by the LPC for debris cleanup caused by Hurricane Gustav and to foster greater economy and efficiency than the District hiring its own debris cleanup contractor. According to the CEA, the LPC's debris contractor would remove all debris located within the confines of the District in accordance with the "Debris Removal Agreement" between the LPC and the contractor, and only the debris or areas that the District authorized the contractor to cleanup. According to the terms of the CEA, the District agreed to pay all cost related to the debris removal within the boundaries of its District including any cost declared ineligible for reimbursement by the Federal Emergency Management Agency (FEMA).

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2016

The contractor performed debris cleanup services from September 19, 2008 through approximately May 13, 2009, which is the date the LPC's President stopped all debris removal services being performed by the contractor. The total cost of the debris removal services performed by all contractors is the subject of a dispute between the LPC, the debris contractors and FEMA. As of the date of this report, the District has not received detailed invoices to be able to determine the total liability that the District may owe under the terms of the CEA. Due to management not having the necessary invoice documentation to review and approve the debris removal costs associated with services performed within the boundaries of the District along with unresolved matters under dispute between the debris contractors, LPC and FEMA, management is not able to reasonably estimate a liability or estimate the receivable due from FEMA, if any, to record in these financial statements. Although no cost or invoice documentation has been provided to the District, management believes the liability owed and federal reimbursement receivable will likely be material to these financial statements.

(13) Sales Tax Abatement

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

For the year ended December 31, 2016, the District abated sales taxes totaling \$514,631 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 \$340,015 for the year ended December 31, 2016.
- Juban Crossing Economic Development District (JCEDD) – The District entered into a cooperative endeavor agreement with the JCEDD to dedicate 40.00 percent of the District's ½ cent sales tax collected within the JCEDD area for the purposes of repaying revenue bonds issued to fund JCEDD projects. The District is not responsible for maintenance within the JCEDD area while the JCEDD revenue bonds are outstanding. Once the JCEDD

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2016

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 \$174,616 for the year ended December 31, 2016.

(14) Current Year Adoption of New Accounting Standards

The District adopted the following recently issued GASB Standard in the preparation of these financial statements:

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No 72 - Fair Value Measurement and Application. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

In August 2015, the Governmental Accounting Standards Board issued GASB Statement No 77 - Tax Abatement Disclosures. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

The adoption of these standards had no impact on the government wide or the governmental fund financial statements, but provide for guidance, clarification and/or additional disclosures in the notes to the basic financial statements.

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Livingston Parish Gravity Drainage District #1, (the District) a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2016, 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 27, 2017.

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 J. Bourgeois, CPA

Denham Springs, Louisiana
June 27, 2017

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016

Prior Year Findings:

Internal Control Over Financial Reporting

None

Compliance and Other Matters

None