

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

Annual Financial Statements

As of and for the Year Ended December 31, 2005

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 6-28-06

LEROY J. CHUSTZ
Certified Public Accountant
A Professional Accounting Corporation

**Livingston Parish Gravity Drainage District Five
Walker, Louisiana**

**Annual Financial Statements
As of and for the Year Ended December 31, 2005
With Supplemental Information Schedules**

TABLE OF CONTENTS

	Statement	Page
Independent Auditor's Report on the Financial Statements		4
Required Supplemental Information (Part I):		
Management's Discussion and Analysis		7
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14
Fund Financial Statements:		
Governmental Fund Financial Statements:		
Balance Sheet	C	16
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets	D	17
Statement of Revenues, Expenditures, and Change in Fund Balance	E	18
Reconciliation of the Change in Fund Balance of the Governmental Fund to the Statement of Activities	F	20
Basic Financial Statements:		
Notes to the Financial Statements		22
Required Supplemental Information (Part II):		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	Schedule 1	29
Other Supplemental Information:		
Schedule of Compensation Paid Board Members	2	32
Current Year Findings		33
Status of Prior Year Findings		34

**Livingston Parish Gravity Drainage District Five
Walker, Louisiana**

**Annual Financial Statements
As of and for the Year Ended December 31, 2005
With Supplemental Information Schedules**

TABLE OF CONTENTS (continued)

Other Reports

Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of the Basic Financial Statements Performed in Accordance with <i>Governmental Audit Standards</i>	36
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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, 2005, 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, 2005, 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 May 26, 2006, 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. Chustz
Certified Public Accountant
May 26, 2006

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Required Supplemental Information (Part 1)
Management's Discussion and Analysis

**Livingston Parish Gravity Drainage District Five
Walker, Louisiana**

**Management's Discussion and Analysis
As of and for the Year Ended December 31, 2005**

Introduction

The Livingston Parish Gravity Drainage District Five 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. This is the second year of presentation under the new GASB 34 format.

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 on pages 14 through 21 of this report.

Financial Highlights

- At December 31, 2005, the District's assets exceeded its liabilities by \$1,841,774 (net assets). Of this amount, \$898,333 (unrestricted net assets) may be used to meet the District's ongoing obligations to its citizens.
- For the year ended December 31, 2005, the District's total net assets increased by \$299,682.
- At December 31, 2005, the District's General Fund reported an ending fund balance of \$898,333. This was a decrease of \$210,684 for the year.
- At December 31, 2005, the District had cash and cash equivalents and certificates of deposit totaling \$789,775 which represents a decrease of \$286,397 from the prior year as the District implemented drainage improvement projects.
- At December 31, 2005, the District had capital assets net of accumulated depreciation of \$943,441. This was an increase of \$510,366 from the prior year.
- The District had capital asset purchases of \$605,442 and depreciation expense of \$85,202 for the year ended December 31, 2005.

Overview of the Annual Financial Report

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

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

Government-Wide Financial Statements

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

The Statement of Net Assets presents information on the District's assets and liabilities using the accrual basis of

**Livingston Parish Gravity Drainage District Five
Walker, Louisiana**

**Management's Discussion and Analysis
As of and for the Year Ended December 31, 2005**

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.

The government-wide financial statements include the Livingston Parish Gravity Drainage District Five of Walker, Louisiana (component unit) only and can be found on pages 14 and 15 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 finance-related and legal requirements. The District uses one category of funds to account for financial transactions: governmental funds. Traditional users of governmental financial statements will find the fund financial statement presentation more familiar.

A governmental fund is used to account for 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. The basic governmental fund financial statements can be found on pages 17 through 21 of this report.

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 Change in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The reconciliations can be found on pages 18 and 21 of this report.

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. The notes to the financial statements can be found on pages 23 through 30 of this report.

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.

**Livingston Parish Gravity Drainage District Five
Walker, Louisiana**

**Management's Discussion and Analysis
As of and for the Year Ended December 31, 2005**

For more detailed information, see the Statement of Net Assets on page 14 of this report.

	<u>2005</u>	<u>2004</u>
Assets:		
Current and Other Assets	\$ 901,339	\$ 1,160,841
Capital Assets	943,441	433,075
Total Assets	<u>1,844,780</u>	<u>1,593,916</u>
Liabilities:		
Other Liabilities	3,006	51,824
Total Liabilities	<u>3,006</u>	<u>51,824</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	943,441	433,075
Unrestricted	898,333	1,109,017
Total Net Assets	<u>\$ 1,841,774</u>	<u>\$ 1,542,092</u>

Approximately 49% of the District's net assets is unrestricted and may be used to meet the District's ongoing obligations to its citizens.

Approximately 51% of the District's net assets reflects its investment in capital assets.

At December 31, 2005, the District had cash and cash equivalents of \$131,732 and certificates of deposit with maturities greater than three months of \$658,043 for a total of \$789,775. This represents approximately 88% of current and other assets.

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 on pages 15 of this report.

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Revenues:		
General Revenues:		
Sales Tax Revenue	\$ 948,020	\$ 844,581
Interest Income	30,111	5,560
Other	-	100
Insurance Settlement	28,394	-
Lawsuit Settlement	3,189	-
Gain(Loss) on Sale of Capital Assets	7,191	-
Total Revenues	<u>1,016,905</u>	<u>850,241</u>
Program Expenses:		
Public Works	717,224	563,468
Total Program Expenses	<u>717,224</u>	<u>563,468</u>
Change in Net Assets	299,681	286,773
Net Assets, Beginning	1,542,092	1,255,319
Net Assets, Ending	<u>\$ 1,841,774</u>	<u>\$ 1,542,092</u>

The District's total revenues increased by \$166,664 or 20% of the prior year amount due primarily to an increase in sales tax revenue of \$103,439 in addition to an increase in interest income of \$24,551. Total program expenses

**Livingston Parish Gravity Drainage District Five
Walker, Louisiana**

**Management's Discussion and Analysis
As of and for the Year Ended December 31, 2005**

increased by \$153,756 or 27%.

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 basic governmental fund financial statements can be found on pages 17 through 21 of this report.

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 \$898,333, all of which was unreserved. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 73% of total General Fund expenditures, while total fund balance represents 73% of the same amount.

During the current year, the District's General Fund balance decreased by \$210,684.

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 5% of budgeted revenues and other sources. Actual expenditures and other uses were within 5% of budgeted expenditures and other uses.

An analysis of significant variations between original and final budget amounts and between final budget amounts and actual budget results and the reasons for those variations are listed below.

- The original budget for sales tax revenue was increased by \$80,800 due to an increase in sales tax revenue.
- The original budget for capital expenditures was increased by \$355,200.

Capital Asset and Debt Administration

At December 31, 2005, the District had \$943,441, net of depreciation, invested in capital assets. This amount represents an increase of \$510,366 (net of depreciation).

The following table provides a summary of the District's capital assets (net of depreciation) at the end of the current year as compared to the prior year. For more detailed information, see Note 6 to the financial statements on page 29 of this report.

**Livingston Parish Gravity Drainage District Five
Walker, Louisiana**

**Management's Discussion and Analysis
As of and for the Year Ended December 31, 2005**

**Capital Assets (Net of Depreciation)
December 31, 2005 and 2004**

	2005	2004
Land	\$ 17,000	\$ 17,000
Buildings	160,241	160,241
Machinery and Equipment	1,027,438	713,769
Furniture and Fixtures	12,480	12,480
Vehicles	198,320	62,885
Computers	1,052	1,052
Office Equipment	23,062	3,361
Appliances	2,841	2,841
Accumulated Depreciation	(498,993)	(540,554)
Capital Assets, Net	<u>\$ 943,441</u>	<u>\$ 433,075</u>

Major asset additions include the following:

- \$107,060 for a Volvo Excavator.
- \$83,740 for a John Deer 450 Dozer.
- \$53,552 for a Case 580 M Series Loader.
- \$63,734 for two (2) Holland 4-Wheel Drive Tractors
- \$69,239 for a Case Model CX75.
- \$37,698 for a Model TS115A Tractor.
- \$33,714 for two (2) Ford F250 Pickup Trucks.
- \$58,128 for a 2006 GMC Dump Truck.
- \$19,139 for a Tiger Boom Cutter.
- \$17,708 for a Canon Copier.

Major asset deletions include the following:

- \$13,750 for a John Deere 690ELC Excavator sold during the year.
- \$4,800 for a Ford 4610 Tractor sold during the year.

Economic Factors

On January 15, 2005, the Parish Council of the Parish of Livingston, State of Louisiana, held an election requesting the authorization for the renewal of the collection for ten (10) years from the date of the first levy of said tax, a tax of one-half of one per cent (½%) (the "Tax") 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. The sales tax was renewed and the results were filed with the Secretary of State on March 1, 2005. The sales tax revenue accounts for more than 97% of the District's total revenues. Interest income increased in the current year over prior year.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and creditors 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
Walker, Louisiana**

Statement A

**Statement of Net Assets
December 31, 2005**

	<u>Governmental Activities</u>
Assets	
Cash & Cash Equivalents	\$ 131,732
Certificate of Deposit	658,043
Damage Receivable	1,595
Sales Tax Receivable	90,829
Prepaid Insurance	17,670
Security Deposits	879
Capital Assets, Net	943,441
Other	591
Total Assets	<u>1,844,780</u>
Liabilities	
Accounts Payable	33,093
Payroll Payable	3,829
Garnishments Payable	803
Retirement Payable	1,210
Total Liabilities	<u>38,935</u>
Net Assets	
Invested in Capital Assets, Net	943,441
Unrestricted	862,404
Total Net Assets	<u>\$ 1,805,845</u>

See accompanying notes to the financial statements.

**Livingston Parish Gravity Drainage District Five
Walker, Louisiana**

Statement B

**Statement of Activities
For the Year Ended December 31, 2005**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net Revenue (Expense) and Change in Net Assets</u>
Governmental Activities:			
Public Works	\$ 753,153	\$ -	\$ (753,153)
Total Governmental Activities	<u>\$ 753,153</u>	<u>\$ -</u>	<u>\$ (753,153)</u>
 General Revenues			
Sales Tax Revenue			948,020
Interest			30,111
Insurance Settlement			28,394
Lawsuit Settlement			3,189
Gain(loss) on Sale of Capital Assets			7,191
Total General Revenues			<u>1,016,905</u>
 Change in Net Assets			<u>263,752</u>
Net Assets, Beginning			<u>1,542,092</u>
Net Assets, End of Year			<u>\$ 1,805,845</u>

See accompanying notes to the financial statements.

Basic Financial Statements
Fund Financial Statements
Governmental Fund Financial Statements

**Livingston Parish Gravity Drainage District Five
Walker, Louisiana**

Statement C

**Balance Sheet
Governmental Fund
December 31, 2005**

		General Fund
Assets		
Cash & Cash Equivalents	\$	131,732
Certificate of Deposit		658,043
Damage Receivable		1,595
Sales Tax Receivable		90,829
Accrued Interest		-
Prepaid Insurance		17,670
Security Deposits		879
Other		591
Total Assets	\$	901,339
Liabilities & Fund Balance		
Liabilities:		
Accounts Payable	\$	33,093
Payroll Payable		3,829
Garnishments Payable		803
Retirement Payable		1,210
Total Liabilities		38,935
Fund Balance:		
Unreserved		862,404
Total Fund Balance		862,404
Total Liabilities & Fund Balance		901,339

See accompanying notes to the financial statements.

**Livingston Parish Gravity Drainage District Five
Walker, Louisiana**

Statement D

**Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Assets
December 31, 2005**

Total Fund Balance, Governmental Fund	\$ 862,404
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund. These assets consist of:	
Capital assets, net of depreciation	943,441
Net Assets, Governmental Activities	<u>\$ 1,805,845</u>

See accompanying notes to the financial statements.

**Livingston Parish Gravity Drainage District Five
Walker, Louisiana**

Statement E

**Statement of Revenues, Expenditures, and Change in Fund Balance
Governmental Fund
For the Year Ended December 31, 2005**

	General Fund
Revenues	\$
Sales Tax Revenue	948,020
Interest	30,111
Total Revenues	978,131
 Expenditures	
Advertising	401
Bank Charges	10
Board Member Per Diem	12,900
Collection Costs	17,655
Computer Supplies	320
Drug Screening Fees	430
Equipment Rental	-
Fuel	20,715
General Supplies	20,263
Insurance	112,355
Maintenance & Repairs	40,177
Hurricane Damage	41,195
Miscellaneous	26
Office Supplies	3,103
Payroll Tax	23,420
Postage	248
Professional	49,615
Salary	283,784
Retirement	11,257
Uniform	7,493
Utilities	12,008
Vehicle	2,274
Election	8,302
Capital Expenditures	605,442
Total Expenditures	1,273,393
 Excess Revenues (Expenditures)	 -295,262

(Continued)

See accompanying notes to the financial statements.

Livingston Parish Gravity Drainage District Five

Walker, Louisiana

Statement E

**Statement of Revenues, Expenditures, and Change in Fund Balance
Governmental Fund
For the Year Ended December 31, 2005**

Other Financing Sources (Uses)

Insurance Settlement	28,394
Lawsuit Settlement	3,189
Sale of Fixed Asset	17,066
Total Other Financing Sources (Uses)	<u>48,649</u>

Net Change in Fund Balance

-246,613

Fund Balance, Beginning

1,109,017

Fund Balance, Ending

\$ 862,404

(Concluded)

See accompanying notes to the financial statements.

**Livingston Parish Gravity Drainage District Five
Walker, Louisiana**

Statement F

**Reconciliation of the Change in Fund Balance of the Governmental Fund
to the Statement of Activities
For the Year Ended December 31, 2005**

Net Change in Fund Balance, Governmental Fund	\$ -246,613
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. These differences consist of:

Capital Outlay	605,442
Depreciation Expense	-85,202

When recognizing the sale of capital assets, the governmental funds report the total proceeds of the sale. Only the gain or loss on the sale is reported on the statement of activities. These differences consist of:

Proceeds from the Sale of Capital Assets	-17,066
Gain on disposition of assets	7,191

Change in Net Assets, Governmental Activities	\$ <u>263,752</u>
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See accompanying notes to the financial statements.

Basic Financial Statements
Notes to the Financial Statements

**Livingston Parish Gravity Drainage District Five
Walker, Louisiana**

**Notes to the Financial Statements
For the Year Ended December 31, 2005**

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 10 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.

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property 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.

Property taxes, franchise taxes, licenses, 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

**Livingston Parish Gravity Drainage District Five
Walker, Louisiana**

**Notes to the Financial Statements
For the Year Ended December 31, 2005**

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 only 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 Livingston Parish Gravity Drainage District Number Five's investment policy allow the District to invest in collateralized certificates of deposits, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

D. Receivables

In an election on January 15, 2005 the voters of Gravity Drainage District Five renewed the collection for ten (10) years from the date of the first levy of said tax, a tax of one-half of one per cent ($\frac{1}{2}\%$) (the "Tax") 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. See Footnote 5 on page 28 regarding Receivables.

E. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements. The amount of inventory on hand at the District is minimal.

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported 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 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:

**Livingston Parish Gravity Drainage District Five
Walker, Louisiana**

**Notes to the Financial Statements
For the Year Ended December 31, 2005**

<u>Description</u>	<u>Estimated Lives</u>
Infrastructure assets	25
Buildings and building improvements	40
Furniture and fixtures	5
Vehicles	5-10
Machinery and Equipment	5-10
Office Equipment	5-10
Appliances	12
Computer Equipment	5

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 1st 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.

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. 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 Livingston Parish Gravity Drainage District Five, which are either unusual in nature or infrequent in occurrence.

J. 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 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, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

K. 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 change in fund balance and the government-wide statement of activities is presented in Statement F of the basic financial statements.

**Livingston Parish Gravity Drainage District Five
Walker, Louisiana**

**Notes to the Financial Statements
For the Year Ended December 31, 2005**

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, 2005, 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.

3. Cash and Cash Equivalents

At December 31, 2005, the District has cash and cash equivalents (book balances) totaling \$131,732 as follows:

Interest-Bearing Demand Deposits	\$ <u>131,732</u>
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These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) and Certificates of Deposits 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, 2005, the District had \$789,775 in interest-bearing deposits (collected bank balances), including \$131,732 in time and savings demand deposits plus \$658,043 in certificates of deposits as described in *Footnote 4 - Certificates of Deposit*. The total of \$789,775 was secured by \$100,000 of federal deposit insurance and \$689,775 securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

4. Certificates of Deposit

At December 31, 2005, the District has certificates of deposit at a local bank in the totaling \$658,043. The certificates bear rates of interest ranging from 3% to 4% and mature on or before of December 2, 2006. The certificates of deposit are not included in cash and cash equivalents at December 31, 2005 because their original maturity date is greater than

**Livingston Parish Gravity Drainage District Five
Walker, Louisiana**

Notes to the Financial Statements

For the Year Ended December 31, 2005

three months. Any penalty for early withdrawal would not have a material effect on the financial statements.

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. Major receivables balances for the governmental activities consist of sales taxes.

In the fund financial statements, material receivables in governmental funds consist of sales taxes. 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 General Fund receivables at December 31, 2005 consist of the following:

Sales Tax Receivable	\$ 90,829
Damages Receivable	1,595
Total Receivables	\$ 92,424

6. Capital Assets

Capital assets and depreciation activity as of and for the year ended December 31, 2005 follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 17,000	\$ -	\$ -	\$ 17,000
Total Capital Assets, Not Being Depreciated	17,000	-	-	17,000
Capital Assets, Being Depreciated:				
Building	160,241	-	-	160,241
Machinery and Equipment	713,769	450,306	136,637	1,027,438
Furniture and Fixtures	12,480	-	-	12,480
Vehicles	62,885	135,435	-	198,320
Appliances	2,841	-	-	2,841
Computers	1,052	-	-	1,052
Office Equipment	3,361	19,701	-	23,062
Total Capital Assets Depreciated	956,629	605,442	136,637	1,425,434
Less Accumulated Depreciation:				
Building	17,660	4,020	-	21,680
Machinery and Equipment	497,637	66,579	126,762	437,454
Furniture and Fixtures	1,279	2,408	-	3,687
Vehicles	23,653	10,658	-	34,311
Appliances	89	237	-	326
Computers	93	210	-	303
Office Equipment	142	1,090	-	1,232
Total Accumulated Depreciation	540,553	85,202	126,762	498,993
Capital Assets, Being Depreciated, Net	416,076	520,240	9,875	926,441
Total Capital Assets, Net	\$ 433,076	\$ 520,240	\$ 9,875	\$ 943,441

**Livingston Parish Gravity Drainage District Five
Walker, Louisiana**

**Notes to the Financial Statements
For the Year Ended December 31, 2005**

Depreciation was charged to the governmental function as follows:

Public Works	\$ <u>85,202</u>
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7. Pension Plan and Retirement Commitments

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, 2005 through March 31, 2006, the District will contribute a matching contribution up to 10 percent of each employee's annual income. Retirement expense at December 31, 2005 was \$11,257.

8. Litigation

There are no pending or anticipated lawsuits against the Livingston Gravity Drainage District Five as of December 31, 2005.

9. Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; employee health and life; and natural disasters. The Board manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk Retained</u>
Torts, errors and omissions	Purchases commercial insurance	None
Injuries to employees (Workers' compensation)	Purchases commercial insurance	None
Physical property loss and natural disasters	Purchases commercial insurance	None
Health and life	Purchases commercial insurance	None

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Board. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

10. Subsequent Event

On February 1, 2006, the Livingston Parish Gravity Drainage District No. 5 entered into a written Local Services and Cooperative Endeavor Agreement with the Town of Walker as a continuation of a prior verbal agreement to acquire drainage works, rights-of-way for canals and ditches, flood prevention works, equipment and facilities necessary to construct, maintain and operate outlets for the waters of the District in an attempt to enhance drainage and prevent flooding in the Town of Walker and the Livingston Parish Gravity District Drainage District No. 5.

Required Supplemental Information (Part II)
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund

**Livingston Parish Gravity Drainage District Five
Walker, Louisiana**

Schedule 1

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended December 31, 2005**

	Budgeted Amounts		Actual Amounts: GAAP Basis	Variance with Final Budget: Favorable (Unfavorable)
	Original	Final		
Revenues				
Sales Tax Revenue	\$ 850,000	\$ 930,000	\$ 948,020	\$ 18,020
Interest	5,500	6,300	30,111	23,811
Total Revenues	<u>855,500</u>	<u>936,300</u>	<u>978,131</u>	<u>41,831</u>
Expenditures				
Advertising	900	330	401	(71)
Bank Charges	-	20	10	10
Board Member Per Diem	6,000	12,200	12,900	(700)
Collection Costs	16,992	17,000	17,655	(655)
Computer Supplies	600	350	320	30
Drug Screening Fees	200	470	430	40
Equipment Rental	108	-	-	-
Fuel	13,500	21,000	20,715	285
General Supplies	25,000	21,100	20,263	837
Insurance	124,000	110,000	112,355	(2,355)
Maintenance & Repairs	42,500	42,600	40,177	2,423
Hurricane Damage	-	37,100	41,195	(4,095)
Miscellaneous	10	350	26	324
Office Supplies	2,700	2,700	3,103	(403)
Payroll Tax	17,200	27,400	23,420	3,980
Postage	250	271	248	23
Professional	30,000	30,200	49,615	(19,415)
Salary	216,000	276,000	283,784	(7,784)
Retirement	14,000	11,300	11,257	43
Uniform	7,000	8,300	7,493	807
Utilities	8,000	11,900	12,008	(108)
Vehicle	1,000	2,500	2,274	226
Election	-	8,302	8,302	-
Capital Expenditures	250,000	605,200	605,442	(242)
Total Expenditures	<u>775,960</u>	<u>1,246,593</u>	<u>1,273,393</u>	<u>(26,800)</u>
Excess Revenues (Expenditures)	<u>79,540</u>	<u>-310,293</u>	<u>-295,262</u>	<u>15,031</u>

(Continued)

**Livingston Parish Gravity Drainage District Five
Walker, Louisiana**

Schedule 1

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended December 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts: GAAP Basis</u>	<u>Variance with Final Budget: Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Insurance Settlement	\$ -	\$ -	\$ 28,394	\$ 28,394
Lawsuit Settlement	-	-	3,189	3,189
Sale of Fixed Assets	-	-	17,066	17,066
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>48,649</u>	<u>48,649</u>
Net Change in Fund Balance	79,540	-310,293	-246,613	63,680
Fund Balance, Beginning	<u>1,109,017</u>	<u>1,109,017</u>	<u>1,109,017</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 1,188,557</u>	<u>\$ 798,724</u>	<u>\$ 862,404</u>	<u>\$ (63,680)</u>

(Concluded)

Other Supplemental Information

**Livingston Parish Gravity Drainage District Five
Walker, Louisiana**

Schedule 2

**Schedule of Compensation Paid Board Members
For the Year Ended December 31, 2005**

	<u>Compensation Received</u>
Calvin Comeaux 30883 Burgess Road Denham Springs, LA 70726 (225) 665-8040	\$ 2,600
Jimmy Dunlap 32800 North Walker Road Walker, LA 70785 (225) 665-6964	2,600
Richard Harris 27710 Gaylord Road Walker, LA 70785 (225) 665-6560	2,500
W. Ramsey Huffman 13990 Hartman Lane Walker, LA 70785 (225) 664-2873	2,600
Preston Killcrease 29538 Willow Glen Street Denham Springs, LA 70726 (225) 665-7003	2,600
	<u>\$ 12,900</u>

**Livingston Parish Gravity Drainage District Five
Schedule of Findings
Year Ended December 31, 2005**

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, 2005**

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

Compliance and Internal Control

2004-1 Local Government Budget Act

Criteria -

The Local Government Budget Act requires that governments not exceed their budget appropriation unfavorably by more than 5%.

Condition -

The Drainage District's actual expenses exceeded budgeted expenses by 6%.

Effect -

Noncompliance with the Local Government Budget Act.

Recommendation -

The management of the Drainage District should monitor budget to actual variances more closely.

Management Corrective Action Plan -

Management will monitor budget to actual variances monthly and amend the budget as needed.

CURRENT YEAR STATUS -

The Gravity Drainage District complied with the requirements of the Local Government Budget Act for the year ended December 31, 2005.

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 basic financial statements of the **Livingston Gravity Drainage District Five**, a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2005, and have issued my report thereon dated May 26, 2006. 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*.

Compliance

As part of obtaining reasonable assurance about whether the **Livingston Gravity Drainage District Five's** basic financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 that is required to be reported under *Government Auditing Standards* and the *Louisiana Governmental Audit Guide*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the **Livingston Gravity Drainage District Five's** internal control over financial reporting to determine our auditing procedures for the purpose of expressing my opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information and use of the **Livingston Gravity Drainage District Five** and its management, the Louisiana Legislative Auditor and, the State of Louisiana, and is not intended to be, and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Leroy J. Chustz

Certified Public Accountant, APAC
May 26, 2006