

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE
DISTRICT NO. 5 OF THE PARISH OF ST. TAMMANY,
STATE OF LOUISIANA**

Financial Statements with Supplementary Information

December 31, 2021

(With Independent Accountants' Compilation Report Thereon)

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

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Independent Accountants' Compilation Report

**Board of Commissioners
Sub-Drainage District No. 2 of Gravity Drainage District No. 5
of the Parish of St. Tammany, State of Louisiana
Mandeville, Louisiana**

Management is responsible for the accompanying basic financial statements of the governmental activities of Sub-Drainage District No. 2 of Gravity District No. 5 of the Parish of St. Tammany, State of Louisiana (the District), as of and for the year ended December 31, 2021 which collectively comprise the District's basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the District's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Accounting principles generally accepted in the United States of America require that budgetary comparison information on page 8 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. This information is the representation of management. This information was subject to our compilation engagement, however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

The other supplementary information on page 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the representation of management. This information was subject to our compilation engagement, however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.

Griffin & Twuman, LLC

January 24, 2022

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

Statement of Net Position

December 31, 2021

(See Independent Accountants' Compilation Report)

Assets

Cash & cash equivalents	\$	28,540	
Due from other governmental agencies		108,608	
Capital assets, net of accumulated depreciation		<u>1,030,569</u>	
			<u>\$ 1,167,717</u>

Liabilities & Net Position

Liabilities:			
Accounts payable	\$	<u>53,726</u>	
Total liabilities			53,726
Net Position:			
Net investment in capital assets		919,869	
Unrestricted		<u>194,122</u>	
Total net position			<u>1,113,991</u>
			<u>\$ 1,167,717</u>

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

Statement of Activities

For the Year Ended December 31, 2021

(See Independent Accountants' Compilation Report)

Expenses:		
Accounting and audit	\$ (3,228)	
Administrative	(2,024)	
Bank charges	(457)	
Repairs and maintenance	(124,898)	
Insurance	(5,834)	
Sheriff's collection fee	(8,888)	
Total expenses		<u>(145,329)</u>
Program Revenues:		
Capital grants	<u>108,608</u>	
Total program revenues		<u>108,608</u>
Net (expense) revenue		(36,721)
General Revenues:		
Parcel fees	<u>130,770</u>	
Total general revenues		130,770
Non-Operating Revenue (Expense):		
Interest income	<u>31</u>	
Total non-operating revenue (expense)		<u>31</u>
Change in net position		94,080
Net position - beginning of year		<u>1,019,911</u>
Net position - end of year		\$ <u><u>1,113,991</u></u>

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

Governmental Funds

Balance Sheet

December 31, 2021

(See Independent Accountants' Compilation Report)

	<u>Assets</u>		
	<u>General</u>	<u>Capital Projects</u>	<u>Total Government Funds</u>
Current Assets:			
Cash & cash equivalents	\$ 14,428	14,112	28,540
Due from other governmental agencies	-	108,608	108,608
	<u>14,428</u>	<u>122,720</u>	<u>137,148</u>

	<u>Liabilities & Fund Balance</u>		
Current Liabilities:			
Accounts payable	-	53,726	53,726
Total current liabilities	<u>-</u>	<u>53,726</u>	<u>53,726</u>
Fund Balance:			
Committed to capital projects	14,428	68,994	83,422
Total fund balance	<u>14,428</u>	<u>68,994</u>	<u>83,422</u>
Total liabilities & fund balance	<u>\$ 14,428</u>	<u>122,720</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	<u>1,030,569</u>
Net position of governmental activities	<u>\$ 1,113,991</u>

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balance

For the Year Ended December 31, 2021

(See Independent Accountants' Compilation Report)

	<u>General</u>	<u>Capital Projects</u>	<u>Total Government Funds</u>
Revenues:			
Parcel fees	\$ -	130,770	130,770
Intergovernmental - federal	-	108,608	108,608
Interest income	-	31	31
	<hr/>	<hr/>	<hr/>
Total revenues	-	239,409	239,409
Expenditures:			
General			
Administrative expense	8,175	140	8,315
Accounting and audit	3,228	-	3,228
Repairs and maintenance	-	124,898	124,898
Sheriff's collection fee	-	8,888	8,888
Capital outlay	-	110,700	110,700
	<hr/>	<hr/>	<hr/>
Total expenditures	11,403	244,626	256,029
Other financing sources:			
Transfers (to)/from other funds	(10,931)	10,931	-
	<hr/>	<hr/>	<hr/>
Total other financing sources	(10,931)	10,931	-
Net change in fund balance	(22,334)	5,714	(16,620)
Fund balance, beginning of period	36,762	63,280	100,042
	<hr/>	<hr/>	<hr/>
Fund balance, end of period	\$ 14,428	68,994	83,422
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

Governmental Funds

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities**

For the Year Ended December 31, 2021

(See Independent Accountants' Compilation Report)

Net change in fund balances - total governmental funds	\$ (16,620)
 Amounts reported for governmental activities in the Statement of Activities are different because:	
 Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is capitalized and depreciated when applicable.	 <u>110,700</u>
Change in net position of governmental activities	\$ <u><u>94,080</u></u>

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

Governmental Funds

**Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual (Budgetary Basis) - General Fund**

For the Year Ended December 31, 2021

(See Independent Accountants' Compilation Report)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Contributions	\$ -	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
General				
Administrative expense	9,723	9,723	8,175	1,548
Accounting and audit	3,636	3,636	3,228	408
Total expenditures	<u>13,359</u>	<u>13,359</u>	<u>11,403</u>	<u>1,956</u>
Other:				
Transfers (to)/from other funds	<u>(8,403)</u>	<u>(8,403)</u>	<u>(10,931)</u>	<u>2,528</u>
Net change in fund balance	<u>(21,762)</u>	<u>(21,762)</u>	<u>(22,334)</u>	<u>(572)</u>
Fund balance, beginning of period	<u>36,762</u>	<u>36,762</u>	<u>36,762</u>	<u>-</u>
Fund balance, end of period	\$ <u><u>15,000</u></u>	<u><u>15,000</u></u>	<u><u>14,428</u></u>	<u><u>(572)</u></u>

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

**Schedule of Compensation, Benefits, and Other Payments to
Agency Head or Chief Executive Officer**

For the Year Ended December 31, 2021

Eugene Patrick “Pat” Phillips, Chairman of the District, received no compensation, benefits, or other payments of any kind during the year ended December 31, 2021.

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

Schedule of Findings and Management Corrective Action Plan

For the Year Ended December 31, 2021

Finding 2021-1:

Criteria:

Management is responsible for developing internal controls related to the preparation of financial statements as well as preparing financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition & Cause:

As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting entries and to prepare the Company's annual financial statements. This condition is intentional by management based upon the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls. Statement on Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Recommendation:

As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 115. In this case we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Management Corrective Action Plan:

In response to the finding, management feels that it is a prudent use of funds to engage the auditor to prepare the Company's annual financial reports. We therefore agree with the auditors' recommendation that no correction action is necessary.

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

Status of Prior Year Findings

For the Year Ended December 31, 2021

Finding 2020-1:

Criteria:

Management is responsible for developing internal controls related to the preparation of financial statements as well as preparing financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition & Cause:

As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting entries and to prepare the Company's annual financial statements. This condition is intentional by management based upon the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls. Statement on Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Recommendation:

As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 115. In this case we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Management Corrective Action Plan:

In response to the finding, management feels that it is a prudent use of funds to engage the auditor to prepare the Company's annual financial reports. We therefore agree with the auditors' recommendation that no correction action is necessary.

Status of Finding:

There is no change in the status of this comment.

Finding 2020-2:

Criteria:

Management is responsible for amending their annual budget when there is a 5% variance in revenues or expenditures.

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

Status of Prior Year Findings

For the Year Ended December 31, 2021

Condition & Cause:

Actual expenditures for the general fund exceeded budgeted expenditures by 74.4%. There were no amendments made to the adopted budget during the year.

Recommendation:

We recommend the District monitor revenues and expenditures in relation to the budget throughout the year to ensure any required amendments are made to the budget.

Management Corrective Action Plan:

The District will compare budgeted and actual expenditures at each Board meeting and amend the budget as needed.

Status of Finding:

Resolved.



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To the Board of Directors

Sub-Drainage District No.2 of Gravity Drainage District No.5 and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Act 774 Procedures for the fiscal period January 1, 2021 through July 31, 2021. Sub-Drainage District No.2 of Gravity Drainage District No.5's management is responsible for those C/C areas identified in the Act 774 procedures.

Sub-Drainage District No.2 of Gravity Drainage District No.5 has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's Act 774 procedures for the fiscal period January 1, 2021 through July 31, 2021. Additionally, the LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Board Oversight (or Finance Committee, if applicable)

1. Obtain and inspect the entity's written policies and procedures over budgeting and observe that they address preparing, adopting, monitoring, and amending the budget.

Finding: Procedure performed without exception.

Corrective Action: Not applicable.

2. Obtain and inspect the board/finance committee minutes for the fiscal period, and:
 - a. Observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and other major funds.

Finding: Procedure performed with exception. The board does not reference or include monthly budget-to-actual comparisons.

Corrective Action: We recommend the Board review the monthly budget-to-actual comparisons.

Bank Reconciliations

1. Obtain and inspect the entity's written policies and procedures over bank reconciliations and observe that they address (1) monthly bank statement reconciliations, (2) review of all bank reconciliations by someone independent of cash receipt and disbursement functions, and (3) process for addressing items outstanding for more than 12 months from the statement closing date, if applicable.

Finding: Procedure performed with exception. The policy does not address items outstanding.

Corrective Action: We recommend the District modify the policy to address items outstanding for more than 12 months.

Information Technology Disaster Recovery/Business Continuity

1. Obtain and inspect the entity's written policies and procedures over information technology disaster recovery/business continuity (or the equivalent contractual terms if IT services are outsourced) and observe that they address (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Finding: The District's policy does not address (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Corrective Action: We recommend the District update its policy to address the items stated above.

Sexual Harassment

1. Obtain and inspect the entity's written sexual harassment policies and procedures and observe that they address all requirements of Louisiana Revised Statutes (R.S.) 42:342-344, including annual employee training and annual reporting requirements.

Finding: Procedure performed with exception. The policy does not state annual employee training and annual reporting requirements.

Corrective Action: We recommend the District update its policy to address the items stated above.

2. Obtain a listing of employees/elected officials/board members employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/elected officials/board members, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/elected official/board member completed at least one hour of sexual harassment training during the calendar year.
-

Finding: Procedure performed without exception.

Corrective Action: Not applicable.

3. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that it includes the applicable requirements of R.S. 42:344.

Finding: The District did not file a sexual harassment report.

Corrective Action: The District will implement controls to ensure the annual sexual harassment report is prepared and filed before February 1st of each year.

Ethics

1. Obtain and inspect the entity's written policies and procedures over ethics and observe that they address (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy..

Finding: Procedure performed without exception.

Corrective Action: Not applicable.

2. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Obtain ethics documentation from management for 5 randomly selected employees, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Finding: Procedure performed without exception.

Corrective Action: Not applicable.

- b. Observe that the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Finding: Procedure performed without exception. The entity did not change its ethics policy.

Corrective Action: Not applicable.

We were engaged by Sub-Drainage District No.2 of Gravity Drainage District No.5 to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the Act 774 procedures. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Sub-Drainage District No.2 of Gravity Drainage District No.5 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the Act 774 procedures, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Griffin & Furman, LLC

June 27, 2022
