

**LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT #2  
WATSON, LOUISIANA**

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**ANNUAL FINANCIAL STATEMENTS**

As of and for the Year Ended December 31, 2021



**Hebert Johnson  
& Associates, Inc.**  
Certified Public Accountants

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*A Professional Accounting Corporation*

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**Livingston Parish Gravity Drainage District #2**  
**Watson, Louisiana**  
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 As of and for the Year Ended December 31, 2021

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A PROFESSIONAL ACCOUNTING CORPORATION

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## Independent Auditor's Report

To the Board of Commissioners  
Livingston Parish Gravity Drainage District #2  
Livingston Parish Council  
Watson, Louisiana

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, the general fund and the budgetary comparison statement of the general fund of the Livingston Parish Gravity Drainage District #2, "the District", a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Livingston Parish Gravity Drainage District #2 as of December 31, 2021, 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.

#### Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Livingston Parish Gravity Drainage District #2 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Livingston Parish Gravity Drainage District #2's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures including examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Livingston Parish Gravity Drainage District #2's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Livingston Parish Gravity Drainage District #2's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Report on Summarized Comparative Information**

We have previously audited the District's December 31, 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 21, 2021. In our

opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 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 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 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 obtain 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 6, 2022, 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 solely to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully Submitted,

*Chris Johnson*

Hebert Johnson & Associates, Inc.  
A Professional Accounting Corporation  
Albany, Louisiana  
June 6, 2022

**Livingston Parish Gravity Drainage District #2**  
**Watson, Louisiana**  
**Management's Discussion and Analysis**  
**December 31, 2021**

This section of the Livingston Parish Gravity Drainage District #2's (the District) annual financial report presents our discussion and analysis of the District's activities for the year ended December 31, 2021. 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, 2020 was \$3,069,047.
- The Net Position of the Governmental Activities showed an increase of \$470,916 or a 18.13% increase in 2021.
- The total general fund balance on December 31, 2021 was \$1,457,630. This reflects an actual increase in 2021 to the general fund of \$434,636 or 42.49%.
- At the end of 2021, Unassigned General Fund Balance of \$1,456,415 represents 131% of total General Fund Expenditures.
- The District had a 13.29% increase in the amount of sales tax revenue in 2021, while experiencing a 22% increase in 2020. The sales tax revenue totaled \$1,542,019 in 2021 and \$1,361,179 in 2020 representing 99.95% and 98.05% of the total revenues in each of the respective years.

**OVERVIEW OF FINANCIAL STATEMENTS**

The management's 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 governmental-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 provides readers 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 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, revenue 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).

**Livingston Parish Gravity Drainage District #2**  
**Watson, Louisiana**  
**Management's Discussion and Analysis**  
**December 31, 2021**

The government-wide financial statements can be found on pages 9 and 10 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 of *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 16 of this report.

**Notes to the financial statement.** 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 17 through 24 of this report.

**STATEMENT OF NET POSITON**

The following is a schedule of the District's net position on December 31, 2021 and 2020. 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 2021 and 2020 by a total of \$3,069,047 and \$2,598,131, respectively.

**Livingston Parish Gravity Drainage District #2**  
**Watson, Louisiana**  
**Management's Discussion and Analysis**  
**December 31, 2021**

**Condensed Statements of Net Position**

	2021	2020	Increases (Decreases)
Assets:			
Cash and Cash Equivalents	\$ 1,144,596	\$ 755,104	\$ 389,492
Investments	43,841	43,808	33
Receivables, Net of Allowances	293,176	246,302	46,874
Inventories	1,215	360	855
Prepaid Expenses	28,915	24,863	4,052
Capital Assets, Net of Accumulated Depreciation	1,590,875	1,558,110	32,765
Total Assets	3,102,618	2,628,547	474,071
Liabilities:			
Current Liabilities	33,571	30,416	3,155
Total Liabilities	33,571	30,416	3,155
Net Position:			
Net Investment in Capital Assets	1,590,875	1,558,110	32,765
Unrestricted	1,478,172	1,040,021	438,151
Total Net Position	\$ 3,069,047	\$ 2,598,131	\$ 470,916

**STATEMENT OF ACTIVITIES**

The District provides proper maintenance to the existing infrastructure canal and ditch systems for drainage for the citizens of the District. Various improvement projects at certain sites were undertaken as well as the continued ongoing clearing, cleaning, spraying, and general improvement to drainage areas. The continued growth in the number of homeowners in the District and the new challenges and demands for better drainage of water flow throughout the District kept the focus of management in 2021. 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 and is placed into the general fund. The funds are used to pay for the operation and maintenance of the drainage systems and asset purchases. The District encountered a disaster flood event in 2016 which continues to impact operational repairs and maintenance throughout the District.

**Livingston Parish Gravity Drainage District #2  
Watson, Louisiana  
Management's Discussion and Analysis  
December 31, 2021**

**Condensed Statements of Activities**

	<b>2021</b>	<b>2020</b>	<b>Increases (Decreases)</b>
Revenues:			
General Revenues	\$ 1,542,805	\$ 1,388,306	\$ 154,499
Total Revenues	1,542,805	1,388,306	154,499
Expenses:			
Public Works	936,656	978,670	(42,014)
Depreciation	135,233	148,088	(12,855)
Total Expenses	1,071,889	1,126,758	(54,869)
Change in Net Position	470,916	261,548	209,368

**REVENUES**

Sales and use tax revenue increased \$180,840 or 13.29% in 2021 from the previous year, while interest and miscellaneous revenues decreased by \$26,341 from the previous year. Sales and use tax increased at a greater rate than the previous year due to more purchasing related to the COVID-19 conditions.

**EXPENSES**

Total operating expenses in 2021 decreased by \$7,320 from the previous year, primarily due to reduction of wages and related payroll costs from the prior year.

**BUDGETARY HIGHLIGHTS**

The final amended budget for revenues in 2021 reflects an increase of \$175,000. This increase was caused during the COVID-19 pandemic as most stores experienced an increase in sales as well as vehicle sales.

In 2021, the District received \$52,019 more than the final amended sales tax revenue budget.

In 2021, the final amended budget for expenditures reflects a decrease of \$415,550 as compared to a decrease of \$43,650 for the final amended budget for expenditures in 2020. The 2021 final amended budget reflected a decrease in salaries of \$60,000, a decrease in health insurance of \$14,500, an increase in engineering fees of \$3,000, and a decrease in capital outlay of \$332,000. The District experienced the retirement of several employees and a job market not conducive to hiring additional staff during 2021.

Total actual expenditures in 2021 were less than the final amended budget by \$19,831 or 1.76, while in 2020 total expenditures were more than the final amended budget by \$1,439 or 0.1%.

**Livingston Parish Gravity Drainage District #2**  
**Watson, Louisiana**  
**Management's Discussion and Analysis**  
**December 31, 2021**

**CAPITAL ASSETS**

The District's investment in capital assets as on December 31, 2021 and 2020 amounts to \$1,590,875 and \$1,558,110 (net of accumulated depreciation), respectively. This investment in capital assets includes land, buildings, system improvements, machinery, and equipment. The total net increase in the District's investment in capital assets for 2021 was \$32,765 or 2.11%. The total decrease in 2020 was \$13,165 or 0.80%. Major capital assets events during 2021 and 2020 included the following:

**2020:**

- Purchase of an Excavator for \$67,406
- Purchase of a tractor for \$43,184
- Depreciation expense amounted to \$148,088.

**2021:**

- Purchase of a Camera/Trailer TVing System for \$167,998
- Depreciation expense amounted to \$135,233.

**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 number of homeowners in the District and the additional drainage impact effects from new developments 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. Increased expenditures for engineering, mitigation fees, employee salaries, health insurance, general supplies, and capital outlay for related maintenance equipment is estimated in 2022 and beyond. New challenges with subsurface drainage issues are being revealed and resolutions for the citizens will be examined in the future. The commitment by the District with the resources available will only improve the standard of living for the District's citizenry. The District has budgeted in 2022 an amount equal to \$300,000 for Capital Outlay purposes regarding more equipment and structure improvements along with \$55,000 for engineering support expenses, and all other items needed to accomplish the goals stated above. The District will continue to make improvements to existing identified drainage problems in 2022 and beyond for operations improvements.

**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 Accountant, Randall Smith, Post Office Box 617, Watson, LA 70786.

# Basic Financial Statements

## Government – Wide Financial Statements

**Livingston Parish Gravity Drainage District #2  
Watson, Louisiana**

**Statement A**

**Statement of Net Position  
December 31, 2021  
(With Comparative Totals as of December 31, 2020)**

	Governmental Activities	
	2021	2020
<b>Assets</b>		
Cash and Cash Equivalents	\$ 1,144,596	\$ 755,104
Investments	43,841	43,808
Sales Tax Receivable, Net of Collection Fees	288,924	242,050
Grant Receivable	4,252	4,252
Inventories	1,215	360
Prepaid Insurance	28,915	24,863
Land	76,000	76,000
Capital Assets, Net of Accumulated Depreciation	1,514,875	1,482,110
<b>Total Assets</b>	<b>3,102,618</b>	<b>2,628,547</b>
<b>Liabilities</b>		
Accounts Payable	17,909	17,322
Accrued Liabilities	7,289	5,258
Long-Term Liabilities Due Within One Year	8,373	7,836
<b>Total Liabilities</b>	<b>33,571</b>	<b>30,416</b>
<b>Net Position</b>		
Net Investment in Capital Assets	1,590,875	1,558,110
Unrestricted	1,478,172	1,040,021
<b>Total Net Position</b>	<b>\$ 3,069,047</b>	<b>\$ 2,598,131</b>

The accompanying notes are an integral part of these financial statements.

**Livingston Parish Gravity Drainage District #2  
Watson, Louisiana**

**Statement B**

**Statement of Activities  
For the Year Ended December 31, 2021  
(With Comparative Totals for the Year Ended December 31, 2020)**

	Governmental Activities	
	2021	2020
<b>Governmental Activities</b>		
Expenses		
Public Works	\$ 936,656	\$ 978,670
Depreciation	135,233	148,088
Total Expenses	1,071,889	1,126,758
 General Revenues:		
Taxes - Sales	1,542,019	1,361,179
Interest Income	461	529
Grant Revenue	-	26,398
Miscellaneous	325	200
Total General Revenues	1,542,805	1,388,306
 <b>Change in Net Position</b>	 470,916	 261,548
 <b>Net Position - Beginning of the Year</b>	 2,598,131	 2,336,583
<b>Net Position - End of the Year</b>	<b>\$ 3,069,047</b>	<b>\$ 2,598,131</b>

The accompanying notes are an integral part of these financial statements.

# Basic Financial Statements

## Fund Financial Statements

**Livingston Parish Gravity Drainage District #2  
Watson, Louisiana**

**Statement C**

**Balance Sheet - General Fund  
December 31, 2021  
(With Comparative Totals as of December 31, 2020)**

	2021	2020
<b>Assets</b>		
Cash and Cash Equivalents	\$ 1,144,596	\$ 755,104
Investments	43,841	43,808
Sales Tax Receivable, Net of Collection Fees	288,924	242,050
Grant Receivable	4,252	4,252
Inventories	1,215	360
Total Assets	\$ 1,482,828	\$ 1,045,574
 <b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts Payable	\$ 17,909	\$ 17,322
Accrued Liabilities	7,289	5,258
Total Liabilities	25,198	22,580
Fund Balances:		
Nonspendable, Inventories	1,215	360
Unassigned	1,456,415	1,022,634
Total Fund Balances	1,457,630	1,022,994
 <b>Total Liabilities and Fund Balances</b>	\$ 1,482,828	\$ 1,045,574

The accompanying notes are an integral part of these financial statements.

**Livingston Parish Gravity Drainage District #2  
Watson, Louisiana**

**Statement D**

**Reconciliation of the Governmental Fund Balance Sheet to the  
Government-Wide Statement of Net Position  
For the Year Ended December 31, 2021  
(With Comparative Totals as of December 31, 2020)**

	2021	2020
<b>Total Fund Balance, Governmental Fund (Statement C)</b>	<b>\$ 1,457,630</b>	<b>\$ 1,022,994</b>
<p>Amounts reported for Governmental Activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>		
Governmental Capital Assets, Net of Depreciation	1,590,875	1,558,110
Prepaid insurance is not available to pay for current-period expenditures and, therefore, is not reported in the funds.	28,915	24,863
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental funds:		
Compensated Absences	(8,373)	(7,836)
<b>Net Position of Governmental Activities (Statement A)</b>	<b>\$ 3,069,047</b>	<b>\$ 2,598,131</b>

The accompanying notes are an integral part of these financial statements.

**Livingston Parish Gravity Drainage District #2  
Watson, Louisiana**

**Statement E**

**Statement of Governmental Fund Revenues, Expenditures, and  
Changes in Fund Balance - General Fund  
For the Year Ended December 31, 2021  
(With Comparative Totals for the Year Ended December 31, 2020)**

	2021	2020
<b>Revenues:</b>		
Sales Tax Collected	\$ 1,542,019	\$ 1,361,179
Interest	461	529
Grant Revenue	-	26,398
Miscellaneous	325	200
<b>Total Revenues</b>	1,542,805	1,388,306
<b>Expenditures:</b>		
Public Works:		
Salaries	447,811	501,195
Per Diem - Board Members	15,000	10,900
Professional Fees	32,222	26,682
Engineering Fees	98,097	97,121
Health Insurance	55,314	59,723
Insurance	82,663	81,758
Legal	4,798	11,329
Miscellaneous Expense	3,699	2,940
Payroll Taxes	36,152	40,248
Pension Expense	27,199	28,389
Repairs and Maintenance	20,890	21,372
Sales Tax Collection Fees	28,861	26,605
Supplies	60,156	47,952
Telephone	6,504	5,022
Uniforms	12,311	11,335
Utilities	8,494	7,995
Wetlands Mitigation	-	-
Capital Outlay	167,998	134,923
<b>Total Expenditures</b>	1,108,169	1,115,489
<b>Net Change in Fund Balance</b>	434,636	272,817
<b>Fund Balance - Beginning of the Year</b>	1,022,994	750,177
<b>Fund Balance - End of the Year</b>	\$ 1,457,630	\$ 1,022,994

The accompanying notes are an integral part of these financial statements.

**Livingston Parish Gravity Drainage District #2  
Watson, Louisiana**

Statement F

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balance to the Government-Wide Statement of Activities  
For the Year Ended December 31, 2021  
(With Comparative Totals for the Year Ended December 31, 2020)**

	2021	2020
<b>Net Change in Fund Balance, Governmental Fund (Statement E)</b>	<b>\$ 434,636</b>	<b>\$ 272,817</b>
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p>		
<p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Expenditures for Capital Assets:		
Capital Outlay	167,998	134,923
Less:		
Current Year Depreciation	(135,233)	(148,088)
Add accumulated depreciation on capital assets retired during the year	-	-
Less cost basis of capital assets retired during the year	-	-
<p>Government Funds expense insurance payments when paid. In the Statement of Activities, only the portion applicable to the current year is expensed and the remaining is recorded as prepaid expense.</p>		
Change in Prepaid Insurance	4,052	4,390
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:</p>		
(Increase) Decrease in Compensated Absences Payables	(537)	(2,494)
<b>Change in Net Position of Governmental Activities (Statement B)</b>	<b>\$ 470,916</b>	<b>\$ 261,548</b>

The accompanying notes are an integral part of these financial statements.

**Livingston Parish Gravity Drainage District #2  
Watson, Louisiana**

Statement G

**Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget (GAAP Basis) and Actual - General Fund  
For the Year Ended December 31, 2021**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
<b>Revenues</b>				
Sales Tax Collected	\$ 1,315,000	\$ 1,490,000	\$ 1,542,019	\$ 52,019
Interest	750	750	461	(289)
Miscellaneous Income	-	-	325	325
<b>Total Revenues</b>	1,315,750	1,490,750	1,542,805	52,055
<b>Expenditures</b>				
Public Works:				
Salaries	520,000	460,000	447,811	12,189
Per Diem - Board Members	16,000	15,000	15,000	-
Professional Fees	31,000	33,000	32,222	778
Engineering Fees	104,200	107,200	98,097	9,103
Health Insurance	64,500	50,000	55,314	(5,314)
Insurance	84,000	88,000	82,663	5,337
Legal	5,000	10,000	4,798	5,202
Miscellaneous Expense	2,000	3,000	3,699	(699)
Payroll Taxes	42,000	39,000	36,152	2,848
Pension Expense	31,000	27,000	27,199	(199)
Repairs & Maintenance	35,000	22,000	20,890	1,110
Sales Tax Collection Fees	25,000	28,000	28,861	(861)
Supplies	57,350	50,300	60,156	(9,856)
Telephone	5,500	6,500	6,504	(4)
Uniforms	11,000	11,000	12,311	(1,311)
Utilities	10,000	10,000	8,494	1,506
Capital Outlay	500,000	168,000	167,998	2
<b>Total Expenditures</b>	1,543,550	1,128,000	1,108,169	19,831
<b>Net Change in Fund Balance</b>	(227,800)	362,750	434,636	71,886
<b>Fund Balance:</b>				
<b>Beginning of the Year</b>	963,177	1,022,994	1,022,994	-
<b>End of the Year</b>	\$ 735,377	\$ 1,385,744	\$ 1,457,630	\$ 71,886

The accompanying notes are an integral part of these financial statements.

**Livingston Parish Gravity Drainage District #2**  
**Watson, Louisiana**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2021**

**1. Summary of Significant Accounting Policies –**

Livingston Parish Gravity Drainage District #2 “the District” is a corporate body created by the Livingston Parish Council, as provided by Louisiana Revised Statutes. The District is governed by a board of seven commissioners.

On January 18, 1997, an election was held whereby the voters of Livingston Parish Gravity Drainage District #2 approved a ½% sales and use tax beginning July 1, 1997 for the purpose of “constructing, improving, and maintaining drainage facilities within and for the district and purchasing necessary equipment.”

The District’s taxes are collected by the Livingston Parish School Board and are remitted to the District monthly. The District pays the School board a fee for this service.

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

**A. Financial Reporting Entity**

This report included 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.

**B. Basis of Presentation**

The District’s basic financial statements include both governmental-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.

**Livingston Parish Gravity Drainage District #2**  
**Watson, Louisiana**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2021**

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 reflect capital-specific 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.

The 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.

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. On December 31, 2021, it is the only fund of the District.

**C. Basis of Accounting and Measurements 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 recognized when earned and expenses are recognized when incurred.

Revenues of the District consist principally of sales taxes 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.

**Livingston Parish Gravity Drainage District #2**  
**Watson, Louisiana**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2021**

**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 collectable 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.

**D. Capital Assets**

Capital assets are reported in the government-wide financial statements at historical cost. Additions, improvements, or other capital outlays that significantly extend 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:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20 - 40 Years
Equipment	5 - 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 2021 budget was discussed in a public hearing and adopted during a meeting of the Board on December 7, 2020. The amended 2021 budget was discussed in a public hearing and adopted during a meeting of the Board on December 6, 2021.

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

**Livingston Parish Gravity Drainage District #2**  
**Watson, Louisiana**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2021**

the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**G. 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 Commission's accounting policies do not recognize encumbrances as expenditures until the period in which the goods or services are received and a liability is incurred. On December 31, 2021, the District had no outstanding encumbrances.

**H. Accumulated Unpaid Vacation and Sick Pay**

Employees of the District earn annual leave at varying rates according to years of service. Accrued unused annual leave earned by an employee is carried forward to the succeeding calendar year but the amount that can be carried forward is limited to 1,040 hours. Employees that are terminated or resign are paid for the unused annual leave balance. As of December 31, 2021, the accrued liability for unpaid vacation benefits amounted to \$8,373.

**I. Net Position**

Net position represents the difference between assets and liabilities. Net position investment in capital assets 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 2021**

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, 2020, 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:

Non-spendable- Amounts that cannot be spent either because they are in non-spendable 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.

**Livingston Parish Gravity Drainage District #2**  
**Watson, Louisiana**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2021**

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 13). 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.

**2. Cash, Cash Equivalents, and Investments –**

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

As confirmed by the fiscal agents, the District had cash and cash equivalents totaling \$1,195,632 with a carrying amount of \$1,144,596 on December 31, 2021.

The District also invests all excess funds in certificates of deposits. Certificates of deposits with maturity dates greater than 90 days are classified as investments, while certificates of deposits with maturity dates less than 90 days are classified as cash and cash equivalents for financial reporting. Investments in non-participating interest-earning contracts, such as nonnegotiable certificates of deposits with redemption terms that do not consider market rates, are reported using a cost-based measure which is permitted per GASB Statement No. 31.

Cash and cash equivalents and investments are stated at cost, which approximates market. The following is a summary of cash and cash equivalents and investments on December 31, 2021:

	Cash	Certificates of Deposit	Total
Book Balance	\$ 1,144,596	\$ 43,841	\$ 1,188,437
Bank Balance	\$ 1,195,632	\$ 43,841	\$ 1,239,473

**Livingston Parish Gravity Drainage District #2**  
**Watson, Louisiana**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2021**

*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 be returned to it.

To mitigate this risk, state law requires for these deposits (or the resulting bank balances) to be secured by federal deposit insurance or the pledge of securities by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a 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 District regardless of its designation by the financial institution in which it is deposited. As of December 31, 2021, none of the District's bank balance of \$1,239,473 was exposed to custodial credit risk.

**3. Change in Capital Assets –**

Capital asset activity for the year ended December 31, 2021 is as follows:

	<u>Beginning</u>			<u>Ending</u>
<b>Governmental Activities Capital Assets:</b>	<b>Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance</b>
Capital Assets Not Depreciated:				
Land	\$ 76,000	\$ -	\$ -	\$ 76,000
Total Capital Assets Not Being Depreciated:	<u>76,000</u>	<u>-</u>	<u>-</u>	<u>76,000</u>
Capital Assets Being Depreciated				
Buildings and Improvements	1,225,569	-	-	1,225,569
Equipment	765,717	167,998	-	933,715
Vehicles	228,084	-	-	228,084
Total Other Capital Assets	<u>2,219,370</u>	<u>167,998</u>	<u>-</u>	<u>2,387,368</u>
Less: Accumulated Depreciation for:				
Buildings and Improvements	(151,598)	(34,943)	-	(186,541)
Equipment	(401,157)	(81,648)	-	(482,805)
Vehicles	(184,505)	(18,642)	-	(203,147)
Total Accumulated Depreciation	<u>(737,260)</u>	<u>(135,233)</u>	<u>-</u>	<u>(872,493)</u>
Total Capital Assets Being Depreciated, Net	<u>1,482,110</u>	<u>32,765</u>	<u>-</u>	<u>1,514,875</u>
<b>Total Governmental Activities Capital Assets, Net</b>	<u>\$ 1,558,110</u>	<u>\$ 32,765</u>	<u>\$ -</u>	<u>\$ 1,590,875</u>

Depreciation expense for the year ended December 31, 2021 is \$135,233, as reported in the Statement of Activities.

**Livingston Parish Gravity Drainage District #2**  
**Watson, Louisiana**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2021**

**4. Long-Term Debt –**

The Livingston Parish Gravity Drainage District #2 has no long-term debt transactions for the year ended December 31, 2021.

**5. Leases –**

The District has no outstanding capital or operating leases on December 31, 2021.

**6. Compensated Absences, Pension Plan, and Other Postemployment Benefits –**

On December 31, 2021, the employees of the District have accumulated and vested \$8,373 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. The District has no plan or provision for other post-employment benefits.

The District has an IRA 403 (b) retirement plan for its employees. Under this defined contribution plan, there is no written guaranteed employer contribution. Employer contributions are discretionary, however; it is the District's current intention to continue similar timing for discretionary plan contributions based on a percentage of employee contributions determined by the Board. The District's Board of Commissioners voted to contribute 9.0% of eligible wages if the employee contributed 2% for 2021 which amounts to \$27,199.

**7. Per Diem Board Members –**

All of the Board of Commissioners receive a per diem of \$100 per meeting for attending each regular or special meetings of the board. All Board Members serve five-year terms. Per diems paid to the board members for 2021 were as follows:

<b>Board Member</b>	<b>Compensation Received</b>
Gene Baker	\$ 1,400
Jimmy Davis	2,500
Brian Emrick	1,600
Murray Morgan Jr.	2,500
Lauren White	2,200
William Clemmons	1,100
Matthew Hughes	1,600
Kristopher Wascom	2,100
	\$ 15,000

**Livingston Parish Gravity Drainage District #2**  
**Watson, Louisiana**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2021**

**8. 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 Jimmie Davis, Chairman of the Board of Directors, who was the acting agency head for the year ended December 31, 2021:

<u>Purpose</u>	<u>Amount</u>
Per Diem	\$ 1,800
Benefit Insurance	-
Travel Reimbursements	-
Conferences	-
Meals	-
	<u>\$ 1,800</u>

**9. Contingencies – Litigation**

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

**10. Subsequent Events**

Management has evaluated subsequent events and transactions for potential recognition or disclosures in the financial statements through June 6, 2022, the date which the financial statements were available to be issued.

**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

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CHRISTOPHER S. JOHNSON, CPA, MBA

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A PROFESSIONAL ACCOUNTING CORPORATION

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Commissioners  
Livingston Parish Gravity Drainage  
District #2  
Livingston Parish Council  
Watson, 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 #2, (the District) a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2021, 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 6, 2022.

**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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

### **Report on 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 financial statement. 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 is 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,

*Chris Johnson*

Hebert Johnson & Associates, Inc.  
A Professional Accounting Corporation  
Albany, Louisiana  
June 6, 2022

**Livingston Parish Gravity Drainage District #2  
Watson, Louisiana**

**Schedule of Current Year Audit Findings, Recommendations and Responses  
For the Year Ended December 31, 2021**

We have audited the basic financial statements of Livingston Parish Gravity Drainage District #2 as of and for the year ended December 31, 2021 and have issued our report thereon dated June 6, 2022. 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 Governmental Auditing Standards, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2021 resulted in an unmodified opinion.

**Section I. Summary of Auditor's Report**

a. Report on Internal Control and Compliance Material to the Financial Statements

**Internal Control**

Material Weakness, No Significant Deficiencies, No

**Compliance**

Compliance Material to Financial Statements, No

b. Federal Awards

Not Applicable

Was a management letter issued? No

**LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT #2  
WATSON, LOUISIANA**

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**STATEWIDE AGREED-UPON PROCEDURES REPORT**

Fiscal Period January 1, 2021 through December 31, 2021



**Hebert Johnson  
& Associates, Inc.**  
Certified Public Accountants

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*A Professional Accounting Corporation*

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INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

To the Livingston Parish Gravity Drainage District #2  
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) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2021 through December 31, 2021. Livingston Parish Gravity Drainage District #2's management is responsible for those C/C areas identified in the SAUPs.

Livingston Parish Gravity Drainage District #2 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 SAUPs for the fiscal period January 1, 2021 through December 31, 2021. Additionally, 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:

***Written Policies and Procedures***

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1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
  - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
  - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
  - c) ***Disbursements***, including processing, reviewing, and approving.

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethic**, including (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.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

*No exceptions were found as a result of these procedures.*

#### ***Board or Finance Committee***

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2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
- b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

*No exceptions were found as a result of these procedures.*

#### ***Bank Reconciliations***

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3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
  - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
  - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
  - c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

*No exceptions were found as a result of these procedures.*

#### ***Collections (excluding electronic funds transfers)***

---

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
  - a) Employees responsible for cash collections do not share cash drawers/registers.
  - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
  - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
  - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
  - a) Observe that receipts are sequentially pre-numbered.
  - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
  - c) Trace the deposit slip total to the actual deposit per the bank statement.
  - d) Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
  - e) Trace the actual deposit per the bank statement to the general ledger.

*No exceptions were found as a result of these procedures.*

***Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)***

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8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
  - b) At least two employees are involved in processing and approving payments to vendors.
  - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
  - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
  - a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
  - b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

*No exceptions were found as a result of these procedures.*

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

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11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
  - a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
  - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

*No exceptions were found as a result of these procedures.*

***Travel and Travel-Related Expense Reimbursements (excluding card transactions)***

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*These procedures are not applicable to the Organization.*

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
  - a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
  - b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
  - c) Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those

individuals participating) and other documentation required by written policy (procedure #1h).

- d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

### ***Contracts***

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15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
  - a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
  - b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
  - c) If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).
  - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

*No exceptions were found as a result of these procedures.*

### ***Payroll and Personnel***

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16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
  - a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)

- b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.
  - c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
  - d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

*No exceptions were found as a result of these procedures.*

### ***Ethics***

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20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:
- a. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
  - b. Observe whether 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.

*No exceptions were found as a result of these procedures.*

### ***Debt Service***

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*These procedures are not applicable to the Organization.*

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt

covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

### ***Fraud Notice***

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23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

*No exceptions were found as a result of these procedures.*

### ***Information Technology Disaster Recovery/Business Continuity***

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25. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
  - a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
  - b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
  - c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

*We performed the procedures and discussed the results with management.*

### ***Sexual Harassment***

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26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and

observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
28. 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 it includes the applicable requirements of R.S. 42:344:
  - a) Number and percentage of public servants in the agency who have completed the training requirements;
  - b) Number of sexual harassment complaints received by the agency;
  - c) Number of complaints which resulted in a finding that sexual harassment occurred;
  - d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
  - e) Amount of time it took to resolve each complaint.

*No exceptions were found as a result of these procedures.*

We were engaged by Livingston Parish Gravity Drainage District #2 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 SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Livingston Parish Gravity Drainage District #2 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 SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

*Chris Johnson*

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A Professional Accounting Corporation  
Albany, Louisiana  
June 6, 2022