

**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, 2020

(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, 2020 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 & Furman, LLC

February 2, 2021

**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, 2020

(See Independent Accountants' Compilation Report)

Assets

Cash & cash equivalents	\$	100,042	
Capital assets, net of accumulated depreciation		<u>919,869</u>	
			<u>\$ 1,019,911</u>

Liabilities & Net Position

Liabilities:			
Accounts payable	\$	-	
Total liabilities			-
Net Position:			
Net investment in capital assets		919,869	
Unrestricted		<u>100,042</u>	
Total net position			<u>1,019,911</u>
			<u>\$ 1,019,911</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, 2020

(See Independent Accountants' Compilation Report)

Expenses:		
Accounting and audit	\$	(3,242)
Bank charges		(482)
Repairs and maintenance		(22,280)
Insurance		(5,832)
Management fees		(1,485)
Sheriff's collection fee		(9,185)
Total expenses		<u>(42,506)</u>
General Revenues:		
Parcel fees		137,655
Contributions		10,000
Total general revenues		<u>147,655</u>
Non-Operating Revenue (Expense):		
Interest income		226
Total non-operating revenue (expense)		<u>226</u>
Change in net position		105,375
Net position - beginning of year		<u>914,536</u>
Net position - end of year	\$	<u><u>1,019,911</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, 2020

(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	\$ <u>36,762</u>	<u>63,280</u>	<u>100,042</u>
	<u>36,762</u>	<u>63,280</u>	<u>100,042</u>
	<u>Liabilities & Fund Balance</u>		
Current Liabilities:			
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:			
Committed to capital projects	<u>36,762</u>	<u>63,280</u>	<u>100,042</u>
Total fund balance	<u>36,762</u>	<u>63,280</u>	<u>100,042</u>
Total liabilities & fund balance	\$ <u>36,762</u>	<u>63,280</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>919,869</u>
Net position of governmental activities	\$ <u><u>1,019,911</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

For the Year Ended December 31, 2020

(See Independent Accountants' Compilation Report)

	<u>General</u>	<u>Capital Projects</u>	<u>Total Government Funds</u>
Revenues:			
Parcel fees	\$ -	137,655	137,655
Contributions	10,000	-	10,000
Interest income	-	226	226
	10,000	137,881	147,881
Total revenues			
Expenditures:			
General			
Administrative expense	7,639	160	7,799
Accounting and audit	3,242	-	3,242
Repairs and maintenance	-	22,280	22,280
Sheriff's collection fee	-	9,185	9,185
Capital outlay	-	50,585	50,585
	10,881	82,210	93,091
Total expenditures			
Other financing sources:			
Transfers (to)/from other funds	34,999	(34,999)	-
	34,999	(34,999)	-
Total other financing sources			
Net change in fund balance	34,118	20,672	54,790
Fund balance, beginning of period	2,644	42,608	45,252
Fund balance, end of period	\$ 36,762	63,280	100,042

**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, 2020

(See Independent Accountants' Compilation Report)

Net change in fund balances - total governmental funds	\$ 54,790
 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>50,585</u>
 Change in net position of governmental activities	 <u><u>\$ 105,375</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, 2020

(See Independent Accountants' Compilation Report)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Contributions	\$ -	-	10,000	10,000
Total revenues	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Expenditures:				
General				
Administrative expense	3,039	3,039	7,639	(4,600)
Accounting and audit	<u>3,200</u>	<u>3,200</u>	<u>3,242</u>	<u>(42)</u>
Total expenditures	<u>6,239</u>	<u>6,239</u>	<u>10,881</u>	<u>(4,642)</u>
Other:				
Transfers (to)/from other funds	<u>6,239</u>	<u>6,239</u>	<u>34,999</u>	<u>(28,760)</u>
Net change in fund balance	-	-	34,118	34,118
Fund balance, beginning of period	<u>2,644</u>	<u>2,644</u>	<u>2,644</u>	<u>-</u>
Fund balance, end of period	\$ <u><u>2,644</u></u>	<u><u>2,644</u></u>	<u><u>36,762</u></u>	<u><u>34,118</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, 2020

Eugene Patrick “Pat” Phillips, Chairman of the District, received no compensation, benefits, or other payments of any kind during the year ended December 31, 2020.

**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, 2020

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.

Finding 2020-2:

Criteria:

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

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.

**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, 2020

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.

**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, 2020

Finding 2019-1:

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 2019-2:

Criteria:

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

Condition & Cause:

Actual expenditures for the general fund exceeded budgeted expenditures by 15.2%. There were no amendments made to the adopted budget during the year.

**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, 2020

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:

Unresolved. See Finding 2020-2.