

**LIVINGSTON PARISH GRAVITY DRAINAGE**  
**DISTRICT #2**

**REPORT ON AUDIT OF COMPONENT**  
**UNIT FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

## TABLE OF CONTENTS

Independent Auditor's Report	Page 1 - 2
Required Supplemental Information Management's Discussion and Analysis	3 - 8
Government-Wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet - General Fund	11
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Fund to the Statement of Activities	14
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual - General Fund	15
Notes to the Financial Statements	16 - 26
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Component Unit Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27 - 28
Schedule of Findings and Responses	29
Schedule of Prior Audit Findings	30



2322 Tremont Drive • Baton Rouge, LA 70809  
178 Del Orleans Avenue, Suite C • Denham Springs, LA 70726  
650 Poydras Street, Suite 1200 • New Orleans, LA 70130  
Phone: 225.928.4770 • Fax: 225.926.0945  
www.htbcpa.com

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the major fund (the General Fund), and the budgetary comparison statement of the General Fund of the Livingston Parish Gravity Drainage District # 2, "the District," a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

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 major fund (the General Fund) of the Livingston Parish Gravity Drainage District #2 as of December 31, 2019, and the budgetary comparison statement of the General Fund and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the District's December 31, 2018 financial statements, and we expressed a modified opinion on those audited financial statements in our report dated June 3, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 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 3 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 obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2020, 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 of 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,

*Hannis T. Bourgeois, LLP*

Denham Springs, Louisiana  
June 1, 2020

Livingston Parish Gravity Drainage  
District #2  
Watson, Louisiana  
Management's Discussion and Analysis  
December 31, 2019

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, 2019. 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, 2019 was \$2,351,142.
- \* The Net Position of the Governmental Activities showed a decrease of \$152,662 or a 6.1% decrease in 2019.
- \* The total general fund balance at December 31, 2019 was \$750,177. This reflects an actual decrease in 2019 to the general fund of \$551,712 or 42.38%.
- \* At the end of 2019, Unassigned General Fund Balance of \$748,355 represents 43.26% of total General Fund Expenditures.
- \* The District had a 4.40% increase in the amount of sales tax revenue in 2019, while experiencing a 2.71% decrease in 2018. The sales tax revenue totaled \$1,117,093 in 2019 and \$1,070,019 in 2018 representing 96.76% and 94.16% of the total revenues in each of the respective years.

**OVERVIEW OF FINANCIAL STATEMENTS**

The management's discussion and analysis is intended to serve as an introduction to the basic financial statements of the District. The District's basic financial statements are comprised of three components: 1) the government-wide financial statements, 2) the fund financial statements, and 3) the notes to the financial statements.

**Government-wide financial statements** are designed by GASB Statement 34 to change the way in which governmental financial statements are presented. It 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 of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and accrued but unpaid interest).

The government-wide financial statements can be found on pages 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 on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11 through 15 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16 through 26 of this report.

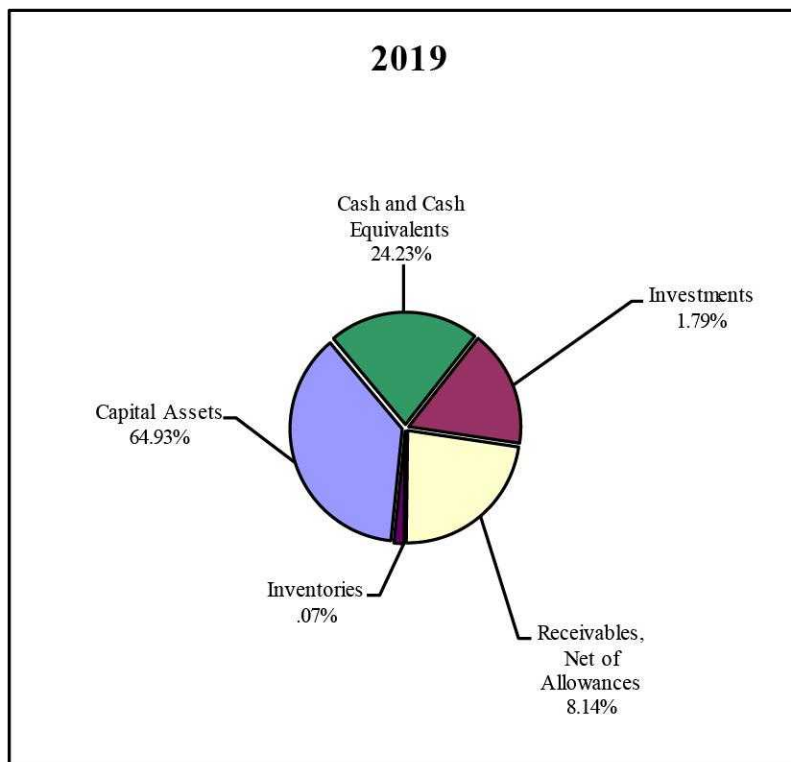
## STATEMENT OF NET POSITION

The following is a schedule of the District's net position at December 31, 2019 and 2018. 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 2019 and 2018 by a total of \$2,351,142 and \$2,503,804, respectively.

Condensed Statements of Net Position

	<u>2019</u>	<u>2018</u>	<u>Increases (Decreases)</u>
Cash and Cash Equivalents	\$ 591,832	\$ 1,104,911	\$ (513,079)
Investments	43,642	43,129	513
Receivables, Net of Allowances	198,808	188,484	10,324
Inventories	1,822	614	1,208
Prepaid Expenses	20,473	18,189	2,284
Capital Assets, Net of Accumulated Depreciation	<u>1,585,834</u>	<u>1,204,108</u>	<u>381,726</u>
 Total Assets	 2,442,411	 2,559,435	 (117,024)
 Current Liabilities	 <u>91,269</u>	 <u>55,631</u>	 <u>35,638</u>
 Total Liabilities	 91,269	 55,631	 35,638
 Net Position			
Net Investment in Capital Assets	1,585,834	1,204,108	381,726
Unrestricted	<u>765,308</u>	<u>1,299,696</u>	<u>(534,388)</u>
 Total Net Position	 <u>\$ 2,351,142</u>	 <u>\$ 2,503,804</u>	 <u>\$ (152,662)</u>

The largest portion of the District's Assets is reflected on the following chart:





## 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 2019. 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 operations and maintenance. Recovery from completing the office building construction and equipment upgrades have been completed in 2019.

Other sources of revenue result from interest earned and culvert sizing fees.

### Condensed Statements of Activities

	<u>2019</u>	<u>2018</u>	Increases (Decreases)
Revenues:			
General Revenues	\$ 1,154,484	\$1,136,434	\$ 18,050
	<u>1,154,484</u>	<u>1,136,434</u>	<u>18,050</u>
Expenses:			
Public Works	1,182,011	1,102,890	79,121
Depreciation	125,135	113,089	12,046
	<u>1,307,146</u>	<u>1,215,979</u>	<u>91,167</u>
Change in Net Position	<u>\$ (152,662)</u>	<u>\$ (79,545)</u>	<u>\$ (73,117)</u>

### REVENUES

- \* Sales and use tax revenue increased \$47,074 or 4.4% in 2019 from the previous year, while interest and miscellaneous revenues decreased by \$29,024 from the previous year. Sales and use tax revenue increased \$198,960 or 21.23% in 2016 from the flood purchasing within the District for that year, but decreased slightly both in 2017 and 2018 due to flood purchasing levelling off since 2016. In 2019, sales and use tax revenue has rebounded with an 4.4% increase noted above.

### EXPENSES

- \* Total operating expenses in 2019 increased by \$79,121 from the previous year, primarily due to increases in wetland mitigation payments and salary expense increases. Depreciation expense increased by \$12,046 in 2019, as compared to 2018 since new equipment began the depreciation cycle.



## BUDGETARY HIGHLIGHTS

- \* The final amended budget for revenues in 2019 reflects an increase of \$105,000. This was caused by estimated projection of a rebound of sales tax revenue from the 2017-18 decreases of sales tax revenues as compared to the record level in 2016. However, the actual 2019, sales tax revenues fell short of this amended budget amount by \$87,907 versus the \$105,000 amended forecast.
- \* In 2019, the District received \$87,907 less than the final amended sales tax revenue budget which is an unfavorable variance due to a late year shortfall of sales inside the District. Miscellaneous revenue experienced a favorable variance amounting to \$ 333. Total sales revenue equaled \$1,117,093 which is greater than 2018 by \$47,074.
- \* In 2019, the final amended budget for expenditures reflects an increase of \$370,950 as compared to an increase of \$227,600 for the final amended budget for expenditures in 2018. The 2019 final amended budget reflected an increase in capital outlay expenditures of \$257,600 (office building construction), an increase in wetlands mitigation of \$77,750, an increase in salaries of \$51,000, an increase in engineering of \$35,000, a decrease in professional fees of \$2,000, a decrease in repairs and maintenance of \$17,500, a decrease in health insurance of \$14,000, and a decrease in supplies of \$32,500.
- \* Total actual expenditures in 2019 were more than the final amended budget by \$42,188 or 2.50%, while in 2018 total expenditures were less than the final amended budget by \$201,243 or 12.10%.
- \* A deficit of revenues under expenditures in the amount of \$421,950 was planned for 2019. Actual deficit amounts of revenues under expenditures totaled \$551,712, as compared to the budgeted deficit amount \$421,950. This difference was attributed to the completion at higher cost of finishing the office building associated with an increase of equipment capital outlay over budget by \$12,904 and various expense items with unfavorable variances increased over the final budget netting another \$29,284.

## CAPITAL ASSETS

The District's investment in capital assets as of December 31, 2019 and 2018 amounts to \$1,585,834 and \$1,204,108 (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 2019 was \$381,726 or 31.70%. The total increase in 2018 was \$241,510 or 25.09%. Major capital asset events during 2019 and 2018 included the following:

### 2018:

- \*Building design and construction in process added in 2018 \$116,354
- \*Various Vehicles: \$76,134 less retired vehicles of \$29,479
- \*Equipment for Maintenance: \$162,111 less retired equipment \$153,166
- \*Depreciation expense amounted to \$113,089

### 2019:

- \*2019 Equipment: \$113,304 less retired equipment of \$84,087
- \*2019 Office Building Construction: \$564,524
- \*Depreciation expense amounted to \$125,135

## **FUTURE EXPENSES**

The District is committed to previous years' goals of accomplishing proper maintenance to all major canals, ditches, and lateral drainage channels for the new population demand being experienced within the District. The extreme growth in the number of homeowners in the District and the additional drainage impact effects from new 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 2020 and beyond. New challenges with subsurface drainage issues are being revealed and resolutions for the citizens will be examined in the future. A new office and administration building was completed in 2019 since the disaster flood damaged the old office facility. 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 2020 an amount equal to \$185,000 for Capital Outlay purposes regarding more equipment along with \$145,200 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 2020 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 Administrative Secretary, Randall Smith, Post Office Box 617, Watson, LA 70786.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

STATEMENT OF NET POSITION

DECEMBER 31, 2019  
(With Comparative Totals as of December 31, 2018)

	Governmental Activities	
	2019	2018
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 591,832	\$ 1,104,911
Investments	43,642	43,129
Sales Tax Receivable, Net of Collection Fees	198,808	188,484
Inventories	1,822	614
Prepaid Insurance	20,473	18,189
Capital Assets:		
Land and Construction in Progress	76,000	223,324
Other Capital Assets, Net of Accumulated Depreciation	1,509,834	980,784
Total Assets	\$ 2,442,411	\$ 2,559,435
<b>LIABILITIES</b>		
Accounts Payable	\$ 82,077	\$ 24,857
Accrued Liabilities	3,850	10,392
Long-Term Liabilities Due Within One Year	5,342	20,382
Total Liabilities	91,269	55,631
<b>NET POSITION</b>		
Net Investment in Capital Assets	1,585,834	1,204,108
Unrestricted	765,308	1,299,696
Total Net Position	2,351,142	2,503,804
Total Liabilities and Net Position	\$ 2,442,411	\$ 2,559,435

The accompanying notes constitute an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2019  
(With Comparative Totals for the Year Ended December 31, 2018)

	Governmental Activities	
	2019	2018
<b><u>Governmental Activities:</u></b>		
Expenses:		
Public Works	\$ 1,182,011	\$ 1,102,890
Depreciation	125,135	113,089
Total Expenses	1,307,146	1,215,979
General Revenues:		
Taxes - Sales	1,117,093	1,070,019
Interest Income	933	759
Gain on Disposition of Assets	36,358	64,330
Miscellaneous	100	1,326
Total General Revenues	1,154,484	1,136,434
Change in Net Position	(152,662)	(79,545)
<b>Net Position - Beginning of Year</b>	2,503,804	2,583,349
<b>Net Position - End of Year</b>	\$ 2,351,142	\$ 2,503,804

The accompanying notes constitute an integral part of this statement.

FUND FINANCIAL STATEMENTS

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

BALANCE SHEET - GENERAL FUND

DECEMBER 31, 2019  
(With Comparative Totals as of December 31, 2018)

<b>ASSETS</b>	2019	2018
Cash and Cash Equivalents	\$ 591,832	\$ 1,104,911
Investments	43,642	43,129
Sales Tax Receivable, Net of Collection Fees	198,808	188,484
Inventories	1,822	614
Total Assets	\$ 836,104	\$ 1,337,138
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts Payable	\$ 82,077	\$ 24,857
Accrued Liabilities	3,850	10,392
Total Liabilities	85,927	35,249
Fund Balances:		
Nonspendable:		
Inventories	1,822	614
Committed to:		
Construction Contract	-	302,579
Unassigned	748,355	998,696
Total Fund Balances	750,177	1,301,889
Total Liabilities and Fund Balances	\$ 836,104	\$ 1,337,138

The accompanying notes constitute an integral part of this statement.



**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

RECONCILIATION OF THE GOVERNMENTAL FUND  
BALANCE SHEET TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2019  
(With Comparative Totals as of December 31, 2018)

	2019	2018
Fund Balances - Total Governmental Fund	\$ 750,177	\$ 1,301,889
<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 fund</p>		
Governmental Capital Assets	2,160,447	1,763,783
Less: Accumulated Depreciation	(574,613)	(559,675)
	1,585,834	1,204,108
Prepaid Insurance	20,473	18,189
<p>Long-term liabilities are not due and payable in the current period and therefore not reported in the governmental fund:</p>		
Compensated Absences	(5,342)	(20,382)
Net Position of Governmental Activities	\$ 2,351,142	\$ 2,503,804

The accompanying notes constitute an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2019  
(With Comparative Totals for the Year Ended December 31, 2018)

	2019	2018
<b>Revenues:</b>		
Sales Tax Collected	\$ 1,117,093	\$ 1,070,019
Interest	933	759
Miscellaneous	100	1,326
Total Revenues	1,118,126	1,072,104
<b>Expenditures:</b>		
Public Works:		
Salaries	433,943	374,901
Per Diem - Board Members	12,400	13,300
Professional Fees	34,658	34,465
Engineering Fees	194,332	186,011
Health Insurance	35,610	46,116
Insurance	82,025	69,489
Legal	20,032	4,240
Miscellaneous Expense	9,612	7,427
Payroll Taxes	36,332	30,060
Pension Expense	25,303	25,313
Repairs and Maintenance	34,124	84,914
Sales Tax Collection Fees	22,764	21,753
Supplies	52,974	70,836
Telephone	5,715	4,495
Uniforms	11,684	9,129
Utilities	10,076	6,313
Wetlands Mitigation	177,750	119,196
	1,199,334	1,107,958
Capital Outlay	530,504	354,599
Total Expenditures	1,729,838	1,462,557
Excess (Deficiency) of Revenues Over Expenditures	(611,712)	(390,453)
Other Financing Sources:		
Proceeds from Disposition of Assets	60,000	64,330
Total Other Financing Sources	60,000	64,330
Net Change in Fund Balances	(551,712)	(326,123)
<b>Fund Balance at Beginning of Year</b>	1,301,889	1,628,012
<b>Fund Balance at End of Year</b>	\$ 750,177	\$ 1,301,889

The accompanying notes constitute an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2019  
(With Comparative Totals for the Year Ended December 31, 2018)

	2019	2018
<b>Net Change in Fund Balance - Total Governmental Fund</b>	<b>\$ (551,712)</b>	<b>\$ (326,123)</b>
<p>Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the period:</p>		
Capital Outlays	530,504	354,599
Depreciation Expense	(125,135)	(113,089)
	405,369	241,510
Add accumulated depreciation on capital assets retired during the year	110,197	182,645
Less cost basis of capital assets retired during the year	(133,839)	(182,645)
Change in Prepaid Insurance	2,284	(4,614)
<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	15,039	9,682
<b>Change in Net Position of Governmental Activities</b>	<b>\$ (152,662)</b>	<b>\$ (79,545)</b>

The accompanying notes constitute an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues:</b>				
Sales Tax Collected	\$ 1,100,000	\$ 1,205,000	\$ 1,117,093	\$ (87,907)
Interest	750	700	933	233
Miscellaneous	-	-	100	100
<b>Total Revenues</b>	<b>1,100,750</b>	<b>1,205,700</b>	<b>1,118,126</b>	<b>(87,574)</b>
<b>Expenditures:</b>				
Public Works:				
Salaries	380,000	431,000	433,943	(2,943)
Per Diem - Board Members	15,000	12,500	12,400	100
Professional Fees	38,000	36,000	34,658	1,342
Engineering Fees	140,200	175,200	194,332	(19,132)
Health Insurance	50,000	36,000	35,610	390
Insurance	80,000	84,000	82,025	1,975
Legal	5,000	17,000	20,032	(3,032)
Miscellaneous Expense	1,000	7,200	9,612	(2,412)
Payroll Taxes	31,500	35,000	36,332	(1,332)
Pension Expense	35,000	24,000	25,303	(1,303)
Repairs and Maintenance	53,000	35,500	34,124	1,376
Sales Tax Collection Fees	24,000	23,000	22,764	236
Supplies	83,000	50,500	52,974	(2,474)
Telephone	5,000	6,000	5,715	285
Uniforms	9,000	10,000	11,684	(1,684)
Utilities	7,000	9,400	10,076	(676)
Wetlands Mitigation	100,000	177,750	177,750	-
	<b>1,056,700</b>	<b>1,170,050</b>	<b>1,199,334</b>	<b>(29,284)</b>
Capital Outlay	260,000	517,600	530,504	(12,904)
<b>Total Expenditures</b>	<b>1,316,700</b>	<b>1,687,650</b>	<b>1,729,838</b>	<b>(42,188)</b>
Excess (Deficiency) of Revenues Over Expenditures	(215,950)	(481,950)	(611,712)	(129,762)
Other Financing Sources:				
Proceeds from Disposition of Assets	70,000	60,000	60,000	-
<b>Total Other Financing Sources</b>	<b>70,000</b>	<b>60,000</b>	<b>60,000</b>	<b>-</b>
Net Change in Fund Balance	(145,950)	(421,950)	(551,712)	(129,762)
<b>Fund Balance at Beginning of Year</b>	<b>1,301,889</b>	<b>1,301,889</b>	<b>1,301,889</b>	<b>-</b>
<b>Fund Balance at End of Year</b>	<b>\$ 1,155,939</b>	<b>\$ 879,939</b>	<b>\$ 750,177</b>	<b>\$ (129,762)</b>

The accompanying notes constitute an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

**(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 five 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 of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

**A. Financial Reporting Entity**

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

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

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

**B. Basis of Presentation**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major fund). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. There were no activities of the District categorized as a business-type activity.

**Basic Financial Statements - Government-Wide Statements**

In the government-wide Statement of Net Position, the governmental activity column (a) is presented on a consolidated basis by column, (b) and is reported on a full accrual, economic resource basis.

The government-wide Statement of Activities reports both the gross and net cost of the District's functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (taxes, interest and investment earnings, etc.).

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

**Basic Financial Statements - Fund Financial Statements**

The financial transactions of the District are reported in an individual fund in the fund financial statements. This fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. This fund is reported by generic classification within the financial statements.

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

The District uses the following fund type:

**Governmental Funds:**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the District:

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. At December 31, 2019, it is the only fund of the District.

**C. Basis of Accounting and Measurement Focus**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**1. Accrual -**

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Revenues of the District consist principally of sales taxes 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.

**2. Modified Accrual -**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means that the amount of the transaction can be determined and "available" means that the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all governmental fund type revenues. Expenditures are recorded when the related fund liability is incurred. Depreciation is not recognized in the Governmental Fund Financial Statements.



**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

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:

Buildings and Improvements	20 to 40 years
Equipment	5 to 10 years
Vehicles	5 years

E. Budgetary Practices

The District utilizes the following budgetary practices:

The Chairperson of the Board prepares the annual budget which is based on what is expected to be collected during the fiscal year and is approved by the Board of Commissioners. The adopted budget constitutes the authority of the District to incur liabilities and authorize expenditures from the respective budgeted funds. Additionally, certain expenditures are approved monthly by the Board before payment. The 2019 budget was discussed in a public hearing and adopted during a meeting of the Board on December 17, 2018. The amended 2019 budget was discussed in a public hearing and adopted during a meeting of the Board on December 2, 2019.

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

F. Estimates

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

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.

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

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 actually received and a liability is incurred. At December 31, 2019, 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, 2019, the accrued liability for unpaid vacation benefits amounted to \$5,342.

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 2018

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, 2018, 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:

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

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

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

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

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

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

**(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 \$608,727 with a carrying amount of \$591,832 at December 31, 2019.

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 nonparticipating 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 at December 31, 2019:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Book Balance	\$ 591,832	\$ 43,642	\$ 635,474
Bank Balance	\$ 608,727	\$ 43,642	\$ 652,369

*Custodial Credit Risk - Deposits*

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it.

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

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 the District regardless of its designation by the financial institution in which it is deposited. As of December 31, 2019, none of the District's bank balance of \$652,369 was exposed to custodial credit risk.

**(3) Changes in Capital Assets -**

Capital asset activity for the year ended December 31, 2019 is as follows:

<u>Governmental Activities</u>	<u>Balance December 31, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2019</u>
<b>Capital Assets not being Depreciated:</b>				
Land	\$ 76,000	\$ -	\$ -	\$ 76,000
Construction in Progress	<u>147,324</u>	<u>-</u>	<u>(147,324)</u>	<u>-</u>
Total Capital Assets not being Depreciated	223,324	-	(147,324)	76,000
<b>Capital Assets being Depreciated:</b>				
Building and Improvements	652,662	564,524	-	1,217,186
Equipment	609,960	113,304	(84,087)	639,177
Vehicles	<u>277,837</u>	<u>-</u>	<u>(49,753)</u>	<u>228,084</u>
Total Capital Assets being Depreciated	1,540,459	677,828	(133,840)	2,084,447
<b>Less Accumulated Depreciation for:</b>				
Buildings and Improvements	(85,827)	(30,123)	-	(115,950)
Equipment	(319,123)	(54,193)	60,444	(312,872)
Vehicles	<u>(154,725)</u>	<u>(40,819)</u>	<u>49,753</u>	<u>(145,791)</u>
Total Accumulated Depreciation	<u>(559,675)</u>	<u>(125,135)</u>	<u>110,197</u>	<u>(574,613)</u>
Total Capital Assets being Depreciated, Net	<u>980,784</u>	<u>552,693</u>	<u>(23,643)</u>	<u>1,509,834</u>
Total Capital Assets, Net	<u>\$1,204,108</u>	<u>\$ 552,693</u>	<u>\$(170,967)</u>	<u>\$1,585,834</u>

Depreciation expense for the year ended December 31, 2019 is \$125,135, as reported in the Statement of Activities.

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

**(4) Long-Term Debt -**

The Livingston Parish Gravity Drainage District #2 has no long-term debt transactions for the year ended December 31, 2019.

**(5) Leases -**

The District has no outstanding capital or operating leases at December 31, 2019.

**(6) Compensated Absences, Pension Plan, and Other Postemployment Benefits -**

At December 31, 2019, the employees of the District have accumulated and vested \$5,342 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 IRC 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 2019 which amounts to \$25,303.

**(7) Per Diem Paid Board Members -**

All of the Board of Commissioners receive a per diem of \$100 per meeting for attending each regular or special meeting of the board. All Board Members serve five year terms. Per diems paid to the board members for 2019 were as follows:

	<u>Number of Meetings</u>	<u>Amount Received</u>
Charles Kemp	26	\$ 2,600
Beverly Thames	26	2,600
Gene Baker	23	2,300
Murray Morgan	25	2,500
Jimmy Davis	24	<u>2,400</u>
		<u>\$12,400</u>

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

**(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 Charles Kemp, Chairman of the Board of Directors, who was the acting agency head for the year ended December 31, 2019:

	<u>Charles Kemp</u>
Per Diem	\$ 2,600
Benefit Insurance	-
Travel Reimbursements	-
Conferences	-
Meals	<u>-</u>
Total Compensation	<u>\$ 2,600</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) Current Accounting Pronouncements -**

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged. Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or, if applied to earlier periods, the beginning of the earliest period restated). However, lessors should not restate the assets underlying their existing sales-type or direct financing leases. Any residual assets for those leases become the carrying values of the underlying assets.

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

In June 2018, the Governmental Accounting Standards Board issued GASB Statement No 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

Management is currently evaluating the effects of each of the new GASB pronouncements.

**(11) Subsequent Events -**

The COVID-19 outbreak in the United States and throughout the world has caused business disruption through mandated and voluntary closings of schools and businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and its impacts on the District's citizens, employees and vendors. Therefore, the extent to which COVID-19 may impact the District's financial condition or results of operations cannot be reasonably estimated at this time.

Management has evaluated subsequent events and transactions for potential recognition or disclosures in the financial statements through June 1, 2020, the date which the financial statements were available to be issued.



**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

**(12) Budget Variance - General Fund -**

The General Fund had actual total revenues with an unfavorable budget variance exceeding 5% for the year ended December 31, 2019 as indicated below:

	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>	<u>Unfavorable Variance Percentage</u>
Total Revenues	<u>\$ 1,205,700</u>	<u>\$ 1,118,126</u>	<u>\$ (87,574)</u>	<u>(7.26%)</u>

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



2322 Tremont Drive • Baton Rouge, LA 70809  
178 Del Orleans Avenue, Suite C • Denham Springs, LA 70726  
650 Poydras Street, Suite 1200 • New Orleans, LA 70130  
Phone: 225.928.4770 • Fax: 225.926.0945  
www.htbcpa.com

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

INDEPENDENT AUDITOR'S REPORT

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, 2019, 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 1, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2019-01.

### **The District's Response to Finding**

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion or any assurance on them.

### **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,

*Harris T. Bourgeois, LLP*

Denham Springs, Louisiana  
June 1, 2020

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED DECEMBER 31, 2019

**Current Year Findings:**

**Internal Control Over Financial Reporting**

None

**Compliance and Other Matters**

Finding 2019-01 Unfavorable Budget Variance > 5% of Amended Budget

Criteria:

The District is required to follow the requirements of the Louisiana Local Government Budget Act at LSA R.S. 39:1301 through 39:1315.

Condition:

State law requires that budgets be amended when actual revenues and other financing sources are less than budgeted revenues and other financing sources amounts by 5% or more. See note 13 to the financial statements. An unfavorable budget variance for Actual Total Revenues compared to Final Budgeted Total Revenues exceeded the 5% variance required by state law.

Cause:

The District's amended Final Budgeted Total Revenues were not adjusted enough to reduce the budget variance below the 5% variance as required by state law.

Effect:

Because the District's amended Final Budgeted Total Revenues were not adjusted enough to reduce the budget variance below the 5% variance as required by state law, the budget variance for Actual Total Revenues compared to Final Budgeted Total Revenues created an unfavorable budget variance that exceeded the 5% variance required by state law.

Recommendation:

We recommend the District implement procedures to monitor actual revenue and expenditures more closely and make appropriate budget amendments to comply with the law requiring the budget to actual variance be within 5%.

Management's Response:

Management will take measures to improve procedures in place to ensure budget to actual variances are monitored more closely and appropriate budget amendments are made in accordance with state law.

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

FOR THE YEAR ENDED DECEMBER 31, 2019

**Prior Year Findings:**

**Internal Control Over Financial Reporting**

None

**Compliance and Other Matters**

None

**LIVINGSTON PARISH GRAVITY DRAINAGE**  
**DISTRICT #2**

**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**

**DECEMBER 31, 2019**



2322 Tremont Drive • Baton Rouge, LA 70809  
178 Del Orleans Avenue, Suite C • Denham Springs, LA 70726  
650 Poydras Street, Suite 1200 • New Orleans, LA 70130  
Phone: 225.928.4770 • Fax: 225.926.0945  
www.htbcpa.com

Independent Accountant's Report  
on Applying Agreed-Upon Procedures

Board of Commissioners  
Livingston Parish Gravity Drainage  
District #2  
Livingston Parish Council  
Denham Springs, Louisiana

We have performed the procedures enumerated below, which were agreed to by the Livingston Parish Gravity Drainage District #2, State of Louisiana, "the District," a component unit of the Livingston Parish Council, and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2019 through December 31, 2019. The District's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

***Written Policies and Procedures***

---

1. Obtain and inspect the entity's written policies and procedures and observe that 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. – **No Exceptions.**
  - 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. **No Exceptions.**



- c) **Disbursements**, including processing, reviewing, and approving. – **No Exceptions.**
- 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). – **No Exceptions.**
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked. – **No Exceptions.**
- 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

**Exception** - The District does have written policies and procedures on contracting that addresses attributes (1), (4), and (5); however, it does not specifically address attributes (2) standard terms and conditions and (3) legal review.

- 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). – **No Exceptions.**
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

**Exception** – The District does have a written policy and procedures on travel and expense reimbursements that addresses attributes (1), (3), and (4); however, it does not specifically address attribute (2) dollar thresholds by category of expense.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity’s ethics policy.

**Exception** – The District does have polices and procedures on ethics that address attribute (1); however, the policies and procedures do not specifically address attributes (2), (3), and (4).

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

**Exception** – The District does have a written policy and procedure on debt service that addresses attribute (1), but the policy and procedures do not address attributes (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements. However, the District does not have any debt.

- k) **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 training/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.

**Exception** – The District does have a brief written policy on disaster recovery/business continuity; however, the policy does not specifically address any of the 6 attributes listed above.

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

---

2. 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).
3. For each location selected under #2 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. – **No exceptions.**
  - b) At least two employees are involved in processing and approving payments to vendors. – **No exceptions.**
  - 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. – **No exceptions.**
  - 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.  
**No exceptions.**
4. For each location selected under #2 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 that the disbursement matched the related original invoice/billing statement. – **No exceptions.**
  - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #3, as applicable. – **No exceptions.**

***Travel and Expense Reimbursement (excluding card transactions)***

---

5. 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, agree the reimbursement rate to 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 that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

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

**The District did not incur any travel expenses during 2019.**

**Management's Response/Corrective Action to Exceptions**

The District's responses to the exceptions identified in our performance of the SAUPs are attached. The District's responses were not subjected to the any procedures applied in the SAUPs and, accordingly, we express no opinion or any assurance on them.

We were not engaged to and did not conduct an examination or review, 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.

The purpose of this report is 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.

Respectfully submitted,

*Hannis T. Bourgeois, LLP*

Denham Springs, Louisiana  
June 1, 2020

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT 2  
P.O. BOX 617  
WATSON, LOUISIANA 70786

5-28-20

Livingston Parish Gravity Drainage District 2  
RESPONSE to 2019 Financial Audit AUP findings: 2019

The District hereby agrees to refine current procedures or implement written procedures regarding the below noted AUP findings:

1. Written Policies and Procedures:

Item 1 (f) **Contracting** The District will update the policies to include specific terms and conditions of the contract and requirement for contract to be reviewed by Legal Counsel.

Item 1 (h) **Travel/Expense Reimbursement** The District will update the policies to address the establishment of dollar limits for travel and expense reimbursement.

Item 1 (i) **Ethics** The District will adopt updates to the policies to include ethics parameter changes concerning the District's establishment of action steps to be taken for specific ethics violations, a tracking/monitoring system on all ethic compliance issues, and a signature verification procedure for District commissioners to acknowledge policy contents.

Item 1 (j) **Debt Service** The District will consider adding a written debt service policy, but the current commissioner intention by the District is to not establish any new debt.

Item 1 (k) **Disaster Recovery/Business Continuity**  
The District shall amend the current Disaster Recovery Policy that will list specific requirements for identification of critical data with parameters for frequent backup rules, offsite storage of backup data rules, training requirements for employees concerning all backup procedure verification, requirement rules to use antivirus software on computer systems, employee


verification procedures involving timely applications of software updates for all available automated systems, and a specific procedure outlining action points by employees to recover data related to operations after a critical event.

2. Non-Payroll Disbursements

No exceptions, no comments.

3. Travel and Expense Reimbursement

No exceptions, no comments.

  
\_\_\_\_\_  
Beverly Thames, Chairman  
Livingston Parish Gravity District 2