

LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #2

REPORT ON AUDIT OF COMPONENT
UNIT FINANCIAL STATEMENTS

DECEMBER 31, 2018

TABLE OF CONTENTS

Independent Auditor's Report	Page 1 - 3
Required Supplemental Information Management's Discussion and Analysis	4 - 9
Government-Wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - General Fund	12
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Fund to the Statement of Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual - General Fund	16
Notes to the Financial Statements	17 - 29
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>	30 - 31
Schedule of Findings and Responses	32
Schedule of Prior Audit Findings	33



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, 2018, 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.

Basis for Modified Opinion

As described in Note 10 to the financial statements, management has not recorded an estimated expenditure, liability, revenue or receivable related to Hurricane Gustav debris removal services received under a cooperative endeavor agreement between the Livingston Parish Council and the Livingston Parish Gravity Drainage District #2. Documentation related to the costs associated with these services has not been provided by the Livingston Parish Council or the debris removal contractors for management to be able to estimate and record the estimated amounts in the financial statements.

Accounting principles generally accepted in the United States of America require that an adequate estimate be reported in the financial statements for receivables, liabilities, revenues and expenditures to account for the debris removal services and the associated grant reimbursements. The amount by which this departure would affect the assets, liabilities, fund balances, net position, revenues, and expenditures of the Government-Wide and the General Fund is not reasonably determinable as sufficient documentation was not available to adequately estimate the financial transactions.

Opinions

In our opinion, except for the effect of the matter described in the "Basis for Modified Opinion" paragraph, 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, 2018, 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 Livingston Parish Gravity Drainage District #2's December 31, 2017 financial statements, and we expressed a modified opinion on those audited financial statements in our report dated June 4, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 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 9 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 3, 2019, 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 3, 2019

Livingston Parish Gravity Drainage
District #2
Watson, Louisiana
Management's Discussion and Analysis
December 31, 2018

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, 2018. 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, 2018 was \$2,503,804.
- * The Net Position of the Governmental Activities showed a decrease of \$79,545 or a 3.08% decrease in 2018.
- * The total general fund balance at December 31, 2018 was \$1,301,889. This reflects an actual decrease in 2018 to the general fund of \$326,123 or 20.03%.
- * At the end of 2018, Unassigned General Fund Balance of \$998,696 represents 68.28% of total General Fund Expenditures. \$302,579 of General Fund Balance is committed for a construction contract on the new administration building.
- * The District had a 2.71% decrease in the amount of sales tax revenue in 2018, while experiencing a 3.20% decrease in 2017. The sales tax revenue totaled \$1,070,019 in 2018 and \$1,099,774 in 2017 representing 94.16% and 92.76% 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 10 and 11 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 12 through 16 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 17 through 29 of this report.

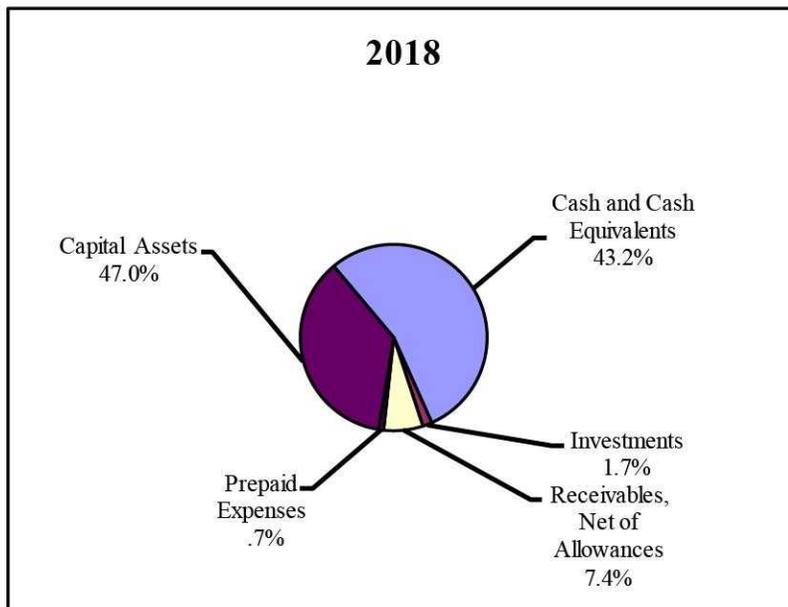
STATEMENT OF NET POSITION

The following is a schedule of the District's net position at December 31, 2018 and 2017. 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 2018 and 2017 by a total of \$2,503,804 and \$2,583,349, respectively.

Condensed Statements of Net Position

	<u>2018</u>	<u>2017</u>	<u>Increases (Decreases)</u>
Cash and Cash Equivalents	\$ 1,104,911	\$ 1,443,178	\$ (338,267)
Investments	43,129	42,999	130
Receivables, Net of Allowances	188,484	179,806	8,678
Inventories	614	89	525
Prepaid Expenses	18,189	22,803	(4,614)
Capital Assets, Net of Accumulated Depreciation	<u>1,204,108</u>	<u>962,598</u>	<u>241,510</u>
 Total Assets	 2,559,435	 2,651,473	 (92,038)
 Current Liabilities	 <u>55,631</u>	 <u>68,124</u>	 <u>(12,493)</u>
 Total Liabilities	 55,631	 68,124	 (12,493)
 Net Position			
Net Investment in Capital Assets	1,204,108	962,598	241,510
Unrestricted	<u>1,299,696</u>	<u>1,620,751</u>	<u>(321,055)</u>
 Total Net Position	 <u>\$ 2,503,804</u>	 <u>\$ 2,583,349</u>	 <u>\$ (79,545)</u>

The largest portion of the District's Net Position 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 2018. 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. Loss was experienced regarding facilities but a recovery is being made with office facilities restored in 2019.

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

Condensed Statements of Activities

	<u>2018</u>	<u>2017</u>	<u>Increases (Decreases)</u>
Revenues:			
General Revenues and Grants	\$ 1,136,434	\$ 1,185,538	\$ (49,104)
	1,136,434	1,185,538	(49,104)
Expenses:			
Public Works	1,102,890	890,345	212,545
Depreciation	113,089	94,051	19,038
	<u>1,215,979</u>	<u>984,396</u>	<u>231,583</u>
Change in Net Position	<u>\$ (79,545)</u>	<u>\$ 201,142</u>	<u>\$ (280,687)</u>

REVENUES

- * Sales and use tax revenue decreased \$29,755 or 2.71% in 2018 from the previous year, while interest and miscellaneous revenues increased by \$1,150 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 has decreased slightly both in 2017 and 2018 due to flood purchasing levelling off since 2016. In 2018, the vehicle replacement actions decreased from the prior year resulting in a slight 2.71% decrease in sales and use tax revenue.

EXPENSES

- * Total operating expenses in 2018 increased by \$231,583 from the previous year, primarily due to increases in wetland mitigation, engineering, and salary expense categories for a total of \$218,215. Depreciation expense increased by \$19,038 in 2018, as compared to 2017.

BUDGETARY HIGHLIGHTS

- * The final amended budget for revenues in 2018 reflects a decrease of \$74,050. This was caused by estimated projection of decreased sales tax revenue of \$74,000 as sales tax leveled off from the record level in 2016. In 2017, the District had an increase of \$115,700 in its final amended revenue budget.
- * In 2018, the District received \$5,981 less than the final amended sales tax revenue budget which is an unfavorable variance along with miscellaneous revenue having a favorable variance amounting to \$1,326. In 2017, revenues were \$3,774 more than the final amended sales tax budget.
- * In 2018, the final amended budget for expenditures reflects an increase of \$227,600 as compared to a decrease of \$78,000 for the final amended budget for expenditures in 2017. The 2018 final amended budget reflected an increase in capital outlay expenditures of \$140,900 (office building construction), an increase in wetlands mitigation of \$19,200, an increase in salaries of \$2,000, an increase in engineering of \$61,000, a decrease in professional fees of \$4,000, an increase in repairs and maintenance of \$36,100, an increase in health insurance of \$9,000, and an increase in supplies of \$2,000.
- * Total actual expenditures in 2018 were less than the final amended budget by \$201,243 or 12.10%, while in 2017 total expenditures were less than the final amended budget by \$113,742 or 11.11%.
- * A deficit of revenues under expenditures in the amount of \$522,800 was planned for 2018. Actual deficit amounts of revenues under expenditures totaled \$326,123, as compared to the budgeted deficit amount \$522,800. This difference was attributed to the continued delay of finishing the office building associated with less capital outlay \$186,30 and various expense items with favorable variances underspent from final budget netting another \$10,346.

CAPITAL ASSETS

The District's investment in capital assets as of December 31, 2018 and 2017 amounts to \$1,204,108 and \$962,598 (net of accumulated depreciation), respectively. This investment in capital assets includes land, buildings, system improvements, machinery, and equipment. The total increase in the District's investment in capital assets for 2018 was \$241,510 or 25.09%. The total decrease in 2017 was \$56,683 or 5.57%. Major capital asset events during 2018 and 2017 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

2017:

- *2017 Shop Equipment \$6,398
- *2017 Office Building Improvements \$30,970
- *Depreciation expense amounted to \$94,051

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 2019 and beyond. A new office and administration building is being completed in the spring of 2019 since the disaster flood damaged the existing office. 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 2019 an amount equal to \$260,000 for both Capital Outlay purposes regarding more equipment as well as to complete the new office building along with \$140,000 for engineering support, \$100,000 wetland mitigation 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 2019 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, 2018
(With Comparative Totals as of December 31, 2017)

	Governmental Activities	
	2018	2017
ASSETS		
Cash and Cash Equivalents	\$ 1,104,911	\$ 1,443,178
Investments	43,129	42,999
Sales Tax Receivable, Net of Collection Fees	188,484	179,806
Inventories	614	89
Prepaid Insurance	18,189	22,803
Capital Assets:		
Land and Construction in Progress	223,324	106,970
Other Capital Assets, Net of Accumulated Depreciation	980,784	855,628
Total Assets	\$ 2,559,435	\$ 2,651,473
LIABILITIES		
Accounts Payable	\$ 24,857	\$ 29,366
Accrued Liabilities	10,392	8,694
Long-Term Liabilities Due Within One Year	20,382	30,064
Total Liabilities	55,631	68,124
NET POSITION		
Net Investment in Capital Assets	1,204,108	962,598
Unrestricted	1,299,696	1,620,751
Total Net Position	2,503,804	2,583,349
Total Liabilities and Net Position	\$ 2,559,435	\$ 2,651,473

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, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	Governmental Activities	
	2018	2017
<u>Governmental Activities:</u>		
Expenses:		
Public Works	\$ 1,102,890	\$ 890,345
Depreciation	113,089	94,051
Total Expenses	1,215,979	984,396
Program Revenues - Grants and Contributions:		
Operating Grants and Contributions	-	11,687
Net Program Revenues (Expenses)	(1,215,979)	(972,709)
General Revenues:		
Taxes - Sales	1,070,019	1,099,774
Interest Income	759	635
Gain on Disposition of Assets	64,330	-
Insurance Proceeds	-	73,142
Miscellaneous	1,326	300
Total General Revenues	1,136,434	1,173,851
Change in Net Position	(79,545)	201,142
Net Position - Beginning of Year	2,583,349	2,382,207
Net Position - End of Year	\$ 2,503,804	\$ 2,583,349

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, 2018
(With Comparative Totals as of December 31, 2017)

	2018	2017
ASSETS		
Cash and Cash Equivalents	\$ 1,104,911	\$ 1,443,178
Investments	43,129	42,999
Sales Tax Receivable, Net of Collection Fees	188,484	179,806
Inventories	614	89
Total Assets	\$ 1,337,138	\$ 1,666,072
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 24,857	\$ 29,366
Accrued Liabilities	10,392	8,694
Total Liabilities	35,249	38,060
Fund Balances:		
Nonspendable:		
Inventories	614	89
Committed to:		
Construction Contract	302,579	10,121
Unassigned	998,696	1,617,802
Total Fund Balances	1,301,889	1,628,012
Total Liabilities and Fund Balances	\$ 1,337,138	\$ 1,666,072

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, 2018
(With Comparative Totals as of December 31, 2017)

	2018	2017
Fund Balances - Total Governmental Fund	\$ 1,301,889	\$ 1,628,012
<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	1,763,783	1,591,829
Less: Accumulated Depreciation	(559,675)	(629,231)
	1,204,108	962,598
Prepaid Insurance	18,189	22,803
<p>Long-term liabilities are not due and payable in the current period and therefore not reported in the governmental fund:</p>		
Compensated Absences	(20,382)	(30,064)
Net Position of Governmental Activities	\$ 2,503,804	\$ 2,583,349

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, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	2018	2017
Revenues:		
Sales Tax Collected	\$ 1,070,019	\$ 1,099,774
Interest	759	635
Miscellaneous	1,326	300
FEMA Grant	-	11,687
Total Revenues	1,072,104	1,112,396
Expenditures:		
Public Works:		
Salaries	374,901	325,158
Per Diem - Board Members	13,300	12,500
Professional Fees	34,465	55,381
Engineering Fees	186,011	136,735
Flood Related Expenses	-	13,394
Health Insurance	46,116	13,716
Insurance	69,489	66,300
Legal	4,240	16,627
Miscellaneous Expense	7,427	412
Payroll Taxes	30,060	27,814
Pension Expense	25,313	16,659
Repairs and Maintenance	84,914	61,031
Sales Tax Collection Fees	21,753	21,630
Supplies	70,836	88,083
Telephone	4,495	3,773
Uniforms	9,129	7,738
Utilities	6,313	5,639
Wetlands Mitigation	119,196	-
	1,107,958	872,590
Capital Outlay	354,599	37,368
Total Expenditures	1,462,557	909,958
Excess (Deficiency) of Revenues Over Expenditures	(390,453)	202,438
Other Financing Sources:		
Proceeds from Disposition of Assets	64,330	-
Insurance Proceeds	-	73,142
Total Other Financing Sources	64,330	73,142
Net Change in Fund Balances	(326,123)	275,580
Fund Balance at Beginning of Year	1,628,012	1,352,432
Fund Balance at End of Year	\$ 1,301,889	\$ 1,628,012

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, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	2018	2017
Net Change in Fund Balance - Total Governmental Fund	\$ (326,123)	\$ 275,580
<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	354,599	37,368
Depreciation Expense	(113,089)	(94,051)
	241,510	(56,683)
Add accumulated depreciation on capital assets retired during the year	182,645	-
Less cost basis of capital assets retired during the year	(182,645)	-
Change in Prepaid Insurance	(4,614)	(9,945)
<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	9,682	(7,810)
Change in Net Position of Governmental Activities	\$ (79,545)	\$ 201,142

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, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Sales Tax Collected	\$ 1,150,000	\$ 1,076,000	\$ 1,070,019	\$ (5,981)
Interest	750	700	759	59
Miscellaneous	-	-	1,326	1,326
Total Revenues	1,150,750	1,076,700	1,072,104	(4,596)
Expenditures:				
Public Works:				
Salaries	370,000	372,000	374,901	(2,901)
Per Diem - Board Members	15,000	13,000	13,300	(300)
Professional Fees	40,000	36,000	34,465	1,535
Engineering Fees	113,200	174,200	186,011	(11,811)
Flood Related Expenses	-	300	-	300
Health Insurance	37,000	46,000	46,116	(116)
Insurance	120,000	72,000	69,489	2,511
Legal	5,000	5,000	4,240	760
Miscellaneous Expense	1,000	7,100	7,427	(327)
Payroll Taxes	31,500	31,500	30,060	1,440
Pension Expense	20,000	26,000	25,313	687
Repairs and Maintenance	56,000	92,100	84,914	7,186
Sales Tax Collection Fees	25,000	22,000	21,753	247
Supplies	82,000	84,000	70,836	13,164
Telephone	5,000	5,000	4,495	505
Uniforms	7,500	10,500	9,129	1,371
Utilities	8,000	7,000	6,313	687
Wetlands Mitigation	100,000	119,200	119,196	4
	1,036,200	1,122,900	1,107,958	14,942
Capital Outlay	400,000	540,900	354,599	186,301
Total Expenditures	1,436,200	1,663,800	1,462,557	201,243
Excess (Deficiency) of Revenues Over Expenditures	(285,450)	(587,100)	(390,453)	196,647
Other Financing Sources:				
Proceeds from Disposition of Assets	-	64,300	64,330	30
Total Other Financing Sources	-	64,300	64,330	30
Net Change in Fund Balance	(285,450)	(522,800)	(326,123)	196,677
Fund Balance at Beginning of Year	1,628,012	1,628,012	1,628,012	-
Fund Balance at End of Year	\$ 1,342,562	\$ 1,105,212	\$ 1,301,889	\$ 196,677

The accompanying notes constitute an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

(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. On June 30, 2018, the GASB issued a 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, 2018

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, 2018

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, 2018, 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, 2018

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 2018 budget was discussed in a public hearing and adopted during a meeting of the Board on December 18, 2017. The amended 2018 budget was discussed in a public hearing and adopted during a meeting of the Board on December 17, 2018.

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, 2018

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, 2018, 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, 2018, the accrued liability for unpaid vacation benefits amounted to \$30,064.

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 2017

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, 2017, 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, 2018

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 \$1,457,129 with a carrying amount of \$1,104,811 at December 31, 2018.

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, 2018:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Book Balance	\$ 1,104,811	\$ 43,129	\$1,147,940
Bank Balance	\$ 1,085,297	\$ 43,307	\$1,128,604

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

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.

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, 2018, none of the District's bank balance of \$1,128,604 was exposed to custodial credit risk.

(3) Changes in Capital Assets -

Capital asset activity for the year ended December 31, 2018 is as follows:

<u>Governmental Activities</u>	<u>Balance December 31, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2018</u>
Capital Assets not being Depreciated:				
Land	\$ 76,000	\$ -	\$ -	\$ 76,000
Construction in Progress	<u>30,970</u>	<u>116,354</u>	<u>-</u>	<u>147,324</u>
Total Capital Assets not being Depreciated	106,970	116,354	-	223,324
Capital Assets being Depreciated:				
Building and Improvements	652,662	-	-	652,662
Equipment	601,015	162,111	(153,166)	609,960
Vehicles	<u>231,182</u>	<u>76,134</u>	<u>(29,479)</u>	<u>277,837</u>
Total Capital Assets being Depreciated	1,484,859	238,245	(182,645)	1,540,459
Less Accumulated Depreciation for:				
Buildings and Improvements	(64,869)	(20,958)	-	(85,827)
Equipment	(417,757)	(54,532)	153,166	(319,123)
Vehicles	<u>(146,605)</u>	<u>(37,599)</u>	<u>29,479</u>	<u>(154,725)</u>
Total Accumulated Depreciation	<u>(629,231)</u>	<u>(113,089)</u>	<u>182,645</u>	<u>(559,675)</u>
Total Capital Assets being Depreciated, Net	<u>855,628</u>	<u>125,156</u>	<u>-</u>	<u>980,784</u>
Total Capital Assets, Net	<u>\$ 962,598</u>	<u>\$ 241,510</u>	<u>\$ -</u>	<u>\$1,204,108</u>

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Depreciation expense for the year ended December 31, 2018 is \$113,089, as reported in the Statement of Activities.

Construction Commitments - Governmental Activities-

The following schedule represents a commitment in the governmental fund at December 31, 2018:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
New Administration Office Building	<u>\$ 147,324</u>	<u>\$302,579</u>

(4) Long-Term Debt -

The Livingston Parish Gravity Drainage District #2 has no long-term debt transactions for the year ended December 31, 2018.

(5) Leases -

The District has no outstanding capital or operating leases at December 31, 2018.

(6) Litigation -

At December 31, 2018, there is no litigation pending against the District.

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

At December 31, 2018, the employees of the District have accumulated and vested \$20,382 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 2018 which amounts to \$25,313.

(8) Per Diem Paid Board Members -

As of January 1, 2007, 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 2018 were as follows:

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

	<u>Number of Meetings</u>	<u>Amount Received</u>
Charles Kemp	28	\$ 2,800
Beverly Thames	28	2,800
Gene Baker	24	2,400
Murray Morgan	26	2,600
Jimmy Davis	27	<u>2,700</u>
		<u>\$13,300</u>

(9) 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, 2018:

	<u>Charles Kemp</u>
Per Diem	\$ 2,800
Benefit Insurance	-
Travel Reimbursements	-
Conferences	-
Meals	<u>-</u>
Total Compensation	<u>\$ 2,800</u>

(10) Contingency -

On September 25, 2008, the District entered into a Cooperative Endeavor Agreement (CEA) with the Livingston Parish Council (LPC) in accordance with Article VII Section 14 and Article VI Section 20 of the Louisiana Constitution. The purpose of the CEA was for the District to use the services of the contractor hired by the LPC for debris cleanup caused by Hurricane Gustav and to foster greater economy and efficiency than the District hiring its own debris cleanup contractor. According to the CEA, the LPC's debris contractor would remove all debris located within the confines of the District in accordance with the "Debris Removal Agreement" between the LPC and the contractor, and only the debris or areas that the District authorized the contractor to cleanup. According to the terms of the CEA, the District agreed to pay all cost related to the debris removal within the boundaries of its District including any cost declared ineligible for reimbursement by the Federal Emergency Management Agency (FEMA).

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

The contractor performed debris cleanup services from September 25, 2008 through approximately May 13, 2009, which is the date the LPC's President stopped all debris removal services being performed by the contractor. The total cost of the debris removal services performed by all contractors is the subject of a dispute between the LPC, the debris contractors and FEMA. As of date of the report, the District has not received detailed invoices to be able to determine the total liability that the District may owe under the terms of the CEA. Due to management not having the necessary invoice documentation to review and approve the debris removal costs associated with services performed within the boundaries of the District along with unresolved matters under dispute between the debris contractors, LPC and FEMA, management is not able to reasonably estimate a liability or estimate the receivable due from FEMA, if any, to record in these financial statements. Although no cost or invoice documentation has been provided to the District, management believes the liability owed and federal reimbursement receivable will likely be material to these financial statements.

(11) Current Accounting Pronouncements -

In November 2016, the Governmental Accounting Standards Board issued GASB Statement No 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

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 December 15, 2019. 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.

In March 2018, the Governmental Accounting Standards Board issued GASB Statement No 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

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, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In August 2018, the Governmental Accounting Standards Board issued GASB Statement No 90, *Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

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

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

(12) Subsequent Events -

Management has evaluated subsequent events and transactions for potential recognition or disclosures in the financial statements through June 3, 2019, 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 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, 2018, 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 3, 2019.

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 no instances of noncompliance or other matters that are 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,

Harris T. Bourgeois, LLP

Denham Springs, Louisiana
June 3, 2019

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #2**

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED DECEMBER 31, 2018

Current Year Findings:

Internal Control Over Financial Reporting

None

Compliance and Other Matters

None

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #2**

SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018



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, 2018 through December 31, 2018. 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 a written policy 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 policies 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.

Bank Reconciliations

2. Obtain a listing of client 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 selected each 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, electronically logged); – **No Exceptions.**
 - 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 – **No Exceptions.**
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable. – **No Exceptions.**

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

3. 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).
4. For each location selected under #3 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.

Exception – After checks are approved and signed, the majority of the signed checks are returned to the District's third party outside accountant's office to be prepared to be mailed. The third party outside accountant's office also processes the payments. The mitigating controls are that the third party outside accountant's employee is not an authorized check signer and can't initiate or approve purchases.
5. For each location selected under #4 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 #4, as applicable. – **No exceptions.**

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

- 6. 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. – **No exceptions.**
- 7. 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 that 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) was reviewed and approved, in writing, 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.]] – **No exceptions.**
 - b) Observe that finance charges and late fees were not assessed on the selected statements. – **No exceptions.**
- 8. Using the monthly statements or combined statements selected under #7 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 that 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).

Not applicable. The District only has fuel cards.

Travel and Expense Reimbursement (excluding card transactions)

- 9. 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).
 - 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 2018.

Contracts

- 10. 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 that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law. – **Only two of the five agreements/contracts were required to bid and both were handled properly in accordance with the Louisiana Public Bid Law.**
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter). – **No exceptions.**
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment. – **Only one of the five agreements/contracts was amended and the original contract terms provided for such an amendment.**
 - 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 that the invoice and related payment agreed to the terms and conditions of the contract. – **No exceptions.**

Payroll and Personnel

- 11. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files. – **No exceptions.**
- 12. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #11 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.) – **No exceptions.**
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials. – **No exceptions.**
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records. – **No exceptions.**

13. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files. – **The District did not have any termination payments during 2018.**
14. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines. – **No exceptions.**

Debt Service (excluding nonprofits)

15. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued. **The District did not issue any debt during the fiscal period.**
16. 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. **The District had no outstanding debt during the fiscal period.**

Management's Response/Corrective Action to Exceptions

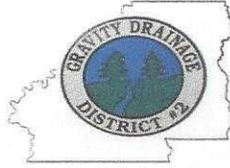
The District's responses to the exceptions identified in our performance of the SAUPs are attached. The District's responses were not subjected to the any procedures applied in the SAUPs and, accordingly, we express no opinion or any assurance on them.

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 3, 2019



Livingston Parish
Gravity Drainage District #2
8639 Springfield Road
Denham Springs, LA 70706

May 29, 2019

Response to AUP Audit Exceptions 2018

Items with exceptions:

Written Procedures:

1 (f) **CONTRACTING:** The District will write a procedure for 2019 to be approved by the board, to include legal review by Legal Counsel of all written contracts, inclusive of standard terms and conditions on each written contract. The standards will be included in every basic contract issued by the District.

1 (h) **TRAVEL EXPENSE REIMBURSEMENT:** The District will set along with board approval in 2019, dollar limitations regarding District travel and expense reimbursement as policy including hotel dollar limits, meal dollar limits, and mileage reimbursement amounts regarding District employees.

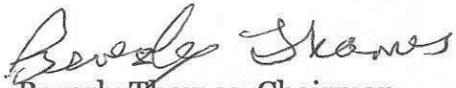
1 (i) **ETHICS:** The District will approve written procedures in 2019, to address procedures for action when ethics violations are encountered by employees. The action will include a monitoring summary via written report by Management noting the violation, date of violation, discussion action with all parties involved, timing of response to violation, and corrective actions to be enforced by board regarding each violation by any employee.

1 (j) **DEBT SERVICE:** The District has no debt established or does it have any intention to establish debt, therefore there is no policy for EMMA reporting (which is not required for the District at this time). There is also no written procedures on debt reserve or debt service at this time since there is no debt established.

4 (d) **DISBURSEMENTS:** Disbursements via checks are the result of the District employee and Management matching the documentation with approval for payment initially, then the third party accountant's employee processing the payment. This employee does not have check signing authority or approval of payment authority. The checks are approved and signed by board members and under emergency situations by

Management and the third party accountant. All approved checks are mailed by the employee of the third party accountant as a procedure after the approval process is completed. The District will require the office employee to mail all checks after approval process is completed.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Beverly Thames".

Beverly Thames, Chairman
Livingston Parish Gravity Drainage District 2