

ANNUAL FINANCIAL REPORT
ST. TAMMANY PARISH DRAINAGE DISTRICT NO. 2
SLIDELL, LOUISIANA
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2018
(SEE ACCOUNTANTS' COMPILATION REPORT)



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

TABLE OF CONTENTS

EXHIBIT **PAGE**

FINANCIAL SECTION

ACCOUNTANTS' COMPILATION REPORT 1

REQUIRED SUPPLEMENTARY INFORMATION:

Management's Discussion and Analysis (Unaudited) 2 – 5

BASIC FINANCIAL STATEMENTS:

GOVERNMENTAL-WIDE FINANCIAL STATEMENTS (GWFS)

Statement of Net Position A 6

Statement of Activities B 7

FUND FINANCIAL STATEMENTS (FFS)

Governmental Funds:

 Balance Sheet C 8

 Reconciliation of the Governmental Fund Balance Sheet to the
 Statement of Net Position D 9

 Statement of Revenues, Expenditures, and Changes in Fund Balance E 10

 Reconciliation of the Statement of Revenues, Expenditures, and
 Change in Fund Balances of the Governmental Fund to the
 Statement of Activities F 11

NOTES TO FINANCIAL STATEMENTS 12 – 19

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS:**

SCHEDULE

Schedule of Revenues, Expenditures, and Change in Fund Balance –
Budget to Actual – General Fund 1 20

OTHER SUPPLEMENTARY INFORMATION:

Schedule of Compensation, Benefits, and Other Payments to Agency
Head 2 21

TABLE OF CONTENTS (CONTINUED)

OTHER INFORMATION

PAGE

Schedule of Findings

22



To the Board of Commissioners
St. Tammany Parish Drainage District No. 2
Slidell, Louisiana

Management is responsible for the accompanying financial statements of the governmental activities of St. Tammany Parish Drainage District No. 2 (the District), 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, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Accounting principles generally accepted in the United States of America require management's discussion and analysis on pages 2 through 5 and the budgetary comparison schedule on page 20 to 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 appropriate operational, economic, or historical context. This information is the representation of management. This information was subject to our compilation engagement, however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.

The schedule of compensation, benefits, and other payments to agency head on page 21 is presented for purposes of additional analysis as required by Act 706 of the 2014 Louisiana Legislative Session and is not a required part of the basic financial statements. This schedule has been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such supplementary information.

September 27, 2019
Mandeville, Louisiana

Erickson Krentel LLP
Certified Public Accountants

REQUIRED SUPPLEMENTARY INFORMATION

ST. TAMMANY PARISH DRAINAGE DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2018

As financial management of St. Tammany Parish Drainage District No. 2 (the District), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ending December 31, 2018. This discussion and analysis is designed to assist the reader on focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the audited financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The assets of the District exceeded its liabilities by \$62,699 at December 31, 2018. The net position decreased by \$56,876 from the previous year.

The District's total revenues increased to \$62,308 from \$48,011. Expenditures for the relevant period increased to \$119,184 from \$38,908.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis introduces the District's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The District also includes in this report required additional supplemental information.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the District's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the Statement of Net Position. This is the government-wide statement of position presenting information that includes all of the District's assets and liabilities, with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

The second government-wide statement is the Statement of Activities, which reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

The government-wide financial statements are presented on pages 6 & 7 of this report.

ST. TAMMANY PARISH DRAINAGE DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2018

FUND FINANCIAL STATEMENTS

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The District uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the District's most significant funds rather than the District as a whole.

Governmental funds are reported in the fund financial statements and encompass the same function reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the District's governmental funds, including object classifications. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

The basic governmental fund financial statements are presented on pages 8 - 11 of this report.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 12 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budgetary comparison schedules for the general fund. Required supplemental information can be found on page 20 of this report.

FINANCIAL ANALYSIS

Net position may serve, over time, as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$62,699. The following table provides a summary of the District's net position:

ST. TAMMANY PARISH DRAINAGE DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2018

SUMMARY OF NET POSITION
AS OF DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 118,207	\$ 107,595
Total assets	<u>118,207</u>	<u>107,595</u>
Current liabilities	<u>67,488</u>	<u>-</u>
Total liabilities	<u>67,488</u>	<u>-</u>
Net position:		
Net investment in capital assets	26,002	28,579
Unrestricted	<u>24,717</u>	<u>79,016</u>
Total net position	<u>\$ 50,719</u>	<u>\$ 107,595</u>

The District's cash balance increased as of December 31, 2018 mainly due to an increase in acreage fees collected of \$14,297. Net position decreased by \$56,876 as of December 31, 2018 due to increases in pump maintenance and equipment rental.

CHANGE IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Revenues:		
Acreage fees	\$ 62,308	\$ 48,011
Interest	<u>-</u>	<u>62</u>
Total revenues	<u>62,308</u>	<u>48,073</u>
Expenses:		
General governmental	<u>119,184</u>	<u>38,908</u>
Total expenses	<u>119,184</u>	<u>38,908</u>
Increase (decrease) in net position	<u>\$ (56,876)</u>	<u>\$ 9,165</u>
Ending net position	<u>\$ 50,719</u>	<u>\$ 107,595</u>

Acreage fees increased by \$14,297 in 2018 as compared to 2017. Expenses for the District increased by \$61,691 in 2018 as compared to 2017. The expenses were higher in 2018 mainly due to the repairs and maintenance of the pump and the rental of a replacement pump.

ST. TAMMANY PARISH DRAINAGE DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2018

BUDGETARY HIGHLIGHTS

During the year ended December 31, 2018, revenues were less than the amounts included in the budget, resulting in an unfavorable variance of (\$17,767). During the year ended December 31, 2018, expenditures were less than the amounts included in the budget, resulting in a favorable variance of \$68,565.

ECONOMIC FACTORS AND A LOOK AT NEXT YEAR

The District remains committed to repairing and maintaining the pumping station within the District and will continue to rent a replacement pump until the permanent pump is fully operational. The District is to serve the citizens through collaboration and transparency and is committed to fiscal responsibility and maintaining the trust from the citizens with their tax dollars.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Mr. Allen Champagne, St. Tammany Parish Drainage District No. 2, P.O. Box 2165, Slidell, LA 70459.

BASIC FINANCIAL STATEMENTS

ST. TAMMANY PARISH DRAINAGE DISTRICT NO. 2
SLIDELL, LOUISIANA
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2018

(See Accountants' Compilation Report)

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash and cash equivalents	\$ 29,897
Receivables, net	62,308
Capital assets, net of accumulated depreciation	<u>26,002</u>
Total assets	<u>118,207</u>
 <u>LIABILITIES:</u>	
Accounts payable	<u>67,488</u>
Total liabilities	<u>67,488</u>
 <u>NET POSITION:</u>	
Net investment in capital assets	26,002
Unrestricted	<u>24,717</u>
Total net position	<u><u>\$ 50,719</u></u>

The accompanying notes are an integral part of this statement

ST. TAMMANY PARISH DRAINAGE DISTRICT NO. 2
SLIDELL, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

(See Accountants' Compilation Report)

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenues and Change in Net Position
<u>Governmental activities:</u>	\$ 119,184	\$ -	\$ (119,184)
		General revenues:	
		Acreage fees	62,308
		Total general revenues	62,308
		Change in net position	(56,876)
		Net position - beginning (as restated)	107,595
		Net position - ending	\$ 50,719

The accompanying notes are an integral part of this statement

ST. TAMMANY PARISH DRAINAGE DISTRICT NO. 2
SLIDELL, LOUISIANA
BALANCE SHEET - GOVERNMENTAL FUND
AS OF DECEMBER 31, 2018

(See Accountants' Compilation Report)

	<u>General Fund</u>
<u>ASSETS:</u>	
Cash and cash equivalents	\$ 29,897
Receivables, net	<u>62,308</u>
 Total assets	 <u>\$ 92,205</u>
 <u>LIABILITIES:</u>	
Accounts payable	\$ <u>67,488</u>
 Total liabilities	 <u>67,488</u>
 <u>DEFERRED INFLOWS OF RESOURCES:</u>	
Unavailable revenue - acreage fees	<u>9,208</u>
 Total deferred inflows of resources	 <u>9,208</u>
 <u>FUND BALANCE:</u>	
Unrestricted	<u>15,509</u>
 Total fund balance	 <u>15,509</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u>\$ 92,205</u>

The accompanying notes are an integral part of this statement

ST. TAMMANY PARISH DRAINAGE DISTRICT NO. 2
SLIDELL, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2018

(See Accountants' Compilation Report)

Fund balance - governmental fund	\$	15,509
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.		26,002
Certain acreage fee collections are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the governmental fund.		<u>9,208</u>
Net position of governmental activities	<u>\$</u>	<u>50,719</u>

The accompanying notes are an integral part of this statement

ST. TAMMANY PARISH DRAINAGE DISTRICT NO. 2
SLIDELL, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

(See Accountants' Compilation Report)

	<u>General Fund</u>
<u>REVENUES:</u>	
Acreage fees	\$ 53,100
Total revenues	<u>53,100</u>
<u>EXPENDITURES:</u>	
General Government:	
Maintenance and repairs	18,146
Equipment rental	92,879
Utilities	4,191
General and administrative	142
Accounting and legal fees	1,200
Tax roll fee	<u>49</u>
Total expenditures	<u>116,607</u>
Excess (deficiency) of revenues over expenditures	(63,507)
FUND BALANCE, BEGINNING (As restated)	<u>79,016</u>
FUND BALANCE, ENDING	<u><u>\$ 15,509</u></u>

The accompanying notes are an integral part of this statement

ST. TAMMANY PARISH DRAINAGE DISTRICT NO. 2
SLIDELL, LOUISIANA
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

(See Accountants' Compilation Report)

Net change in fund balance - government fund	\$	(63,507)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Government funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital asset additions in the current period.</p>		
		(2,577)
<p>Under the modified accrual basis of accounting used in the governmental funds, acreage fee revenues are not recognized until received rather than when earned. This is the amount by which current year deferred inflows of resources exceeded prior year deferred inflows of resources in the governmental funds.</p>		
		<u>9,208</u>
Change in net position of governmental activities	\$	<u><u>(56,876)</u></u>

The accompanying notes are an integral part of this statement

ST. TAMMANY PARISH DRAINAGE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

(See Accountants' Compilation Report)

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

In accordance with R.S. 1674.15, St. Tammany Parish Drainage District No. 2 (the District) was created and given authority to accept and approve any and all drainage facilities constructed at the expense of landowners within the assessment area and donation thereof. According to R.S. 1608, the St. Tammany Parish Government is to appoint five commissioners, who shall constitute the governing authority of the District. The commissioners oversee the operations and maintenance of levees and drainage in the District as well as upkeep and maintenance of the drainage facilities. In order to accomplish the operations of the District, the commissioners may impose an annual acreage tax. The commissioners are not compensated and the District does not have any employees. The District serves the area east of Interstate 10 in St. Tammany Parish.

GASB Statement No. 14, *The Financial Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this statement, the District is considered a component unit of the St. Tammany Parish Council. As a component unit, the accompanying financial statements are included within the reporting of the primary government, either blended into those financial statements or separately reported as discrete component units.

Basis of Presentation

The accompanying general-purpose financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental and financial reporting principles. The more significant government accounting principles are described below.

The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, issued in June 1999, as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Basic Financial Statements – Government-Wide Statements

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 funds). 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.

ST. TAMMANY PARISH DRAINAGE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(See Accountants' Compilation Report)

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Government-Wide Statements (continued)

The government-wide Statement of Activities reports both the gross and the net cost of the District's function. The Statement of Activities reduces gross expenses by related program revenues and charges for services. Program revenues must be directly associated with the function.

The District does not allocate indirect costs.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Acreage fees are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible with the current period or soon enough to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The District reports the General Fund only. The General Fund is the entity's primary operating fund. It accounts for all financial resources of the entity except those required to be accounted for in another fund.

Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less.

ST. TAMMANY PARISH DRAINAGE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(See Accountants' Compilation Report)

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

All acreage fee receivables are shown net of a 5% allowance for uncollectibles. The allowance is based on prior years' experience.

Property taxes, including the acreage fee are levied on a calendar year basis, become due on December 31 and are considered delinquent on January 1. The District authorized and levied a \$295.50 per acre fee for operations and maintenance for the year ended December 31, 2018.

The following are the principal taxpayers and related property tax revenue for the District:

	Assessed Valuation	% of Total Assessed Value
Tammany Holding Corp	\$ 14,450,090	17.48%
Tammany Holding Company, LLC	10,637,880	12.87%

Capital Assets

Capital assets, which include property and equipment, are reported in the government wide statements. Capital assets are recorded at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold of \$2,500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Buildings	40 Years
Building improvements	20 Years
Pumping equipment	5-15 Years

ST. TAMMANY PARISH DRAINAGE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(See Accountants' Compilation Report)

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classifications

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- a. Invested in capital, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – consists of assets that are restricted by the District's creditors, by the state enabling legislation, by grantors, and by other contributors.
- c. Unrestricted net position – consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of "restricted" or "invested in capital assets, net of related debt.

Governmental fund equity is classified as fund balance. In the governmental fund financial statements, fund balances are classified as follows:

- a. Nonspendable – amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – amounts that can be spent only for specific purposes because of state, local or federal awards or externally imposed conditions by grantors or creditors.
- c. Committed – amounts that can be used for specific purposes determined by formal action by an ordinance or resolution.
- d. Assigned – amounts that are designated by the formal action of the government's highest level of decision making authority.
- e. Unassigned – amounts not included in other classifications.

ST. TAMMANY PARISH DRAINAGE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(See Accountants' Compilation Report)

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classifications (Continued)

The Board of Commissioners, as the highest level of decision-making authority, can establish, modify or rescind a fund balance commitment. For assigned fund balance the Board authorizes management to assign amounts for a specific purpose.

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted resources first, then unrestricted as needed. When committed, assigned or unassigned fund balances are available for use, it is the District's policy to use committed resources first, then assigned resources and unassigned resources as they are needed.

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

Subsequent Events

Subsequent events have been evaluated through September 27, 2019 which is the date the financial statements were available to be issued.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget

In accordance with the Louisiana Local Government Budget Act, the procedures used by the District in establishing the budgetary data reflected in the financial statements include public notices of the proposed budget, public inspections and public hearings. The District then legally adopts the budget. Budgeted amounts for the general fund included in the accompanying statements are as amended by the District for the year 2018.

The budget is prepared on the cash basis of accounting. Because the legally prescribed budgetary basis differs materially from generally accepted accounting principles, actual amounts in the accompanying budgetary comparison statements are presented on the budgetary basis.

ST. TAMMANY PARISH DRAINAGE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(See Accountants' Compilation Report)

(3) CASH AND CASH EQUIVALENTS

Cash and deposits are categorized into three categories of credit risk.

Category 1 includes deposits covered by federal depository insurance or by collateral held by the District or its agent, in the District's name.

Category 2 includes deposits covered by collateral held by the pledging financial institution's trust department, or its agent in the District's name.

Category 3 includes deposits covered by collateral held by the pledging financial institution, or its trust department or agent but not in the District's name, and deposits which are uninsured or uncollateralized.

At December 31, 2018, the carrying amount and the bank balances of deposits of the District are summarized as follows:

	Bank Balances Category			Book Balance
	1	2	3	
Cash	\$ 29,897	\$ -	\$ -	\$ 29,897

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledges of securities owned 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. These securities should be held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2018, the District was not exposed to custodial credit risk.

(4) RECEIVABLES

The receivables of \$62,308 at December 31, 2018 are as follows:

Class of Receivable	Amount
Taxes – acreage fee, net	\$ 62,308
	\$ 62,308

ST. TAMMANY PARISH DRAINAGE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(See Accountants' Compilation Report)

(5) CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2018 is as follows:

<u>Governmental Activities:</u>	<u>1/1/2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2018</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 10,000	\$ -	\$ -	\$ 10,000
Machinery and equipment	<u>200,974</u>	<u>-</u>	<u>-</u>	<u>200,974</u>
Total capital assets being depreciated	<u>210,974</u>	<u>-</u>	<u>-</u>	<u>210,974</u>
Less accumulated depreciation for:				
Buildings and improvements	10,000	-	-	10,000
Machinery and equipment	<u>172,395</u>	<u>2,577</u>	<u>-</u>	<u>174,972</u>
Total accumulated depreciation	<u>182,395</u>	<u>2,577</u>	<u>-</u>	<u>184,972</u>
Total capital assets being depreciated, net	<u>28,579</u>	<u>(2,577)</u>	<u>-</u>	<u>26,002</u>
Governmental activities capital assets, net	<u>\$ 28,579</u>	<u>\$ (2,577)</u>	<u>\$ -</u>	<u>\$ 26,002</u>

Depreciation expense of \$2,577 for the year ended December 31, 2018, was charged to operations.

(6) LITIGATION AND CLAIMS

At December 31, 2018, the District was not involved in litigation nor is the District aware of any unasserted claims.

(7) OPERATING LEASES

During August 2017 the District's only operating pump failed. The District has rented a replacement pump on a temporary basis as it determines the cost of repairs to the existing pump. Total equipment rental expenditures for the year ended December 31, 2018 were \$92,879.

ST. TAMMANY PARISH DRAINAGE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(See Accountants' Compilation Report)

(8) COOPERATIVE ENDEAVOR AGREEMENT

On October 31, 2018 the District amended its cooperative endeavor agreement with St. Tammany Parish. Under the terms of the CEA, St. Tammany Parish provides funding and other resources to the District to assist in the repair and improvement of the Lakefront Pump Station and the District is required to reimburse the Parish for such funding. As of December 31, 2018 the Parish has expended \$18,146 for maintenance of the pumps. The District has recorded that amount in accounts payable at December 31, 2018.

(9) PRIOR PERIOD ADJUSTMENT

In prior periods the District did not record an adequate allowance for uncollectible acreage fees. The prior period adjustment reflected in these financial statements reduces beginning fund balance and beginning net assets by \$11,980.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

ST. TAMMANY PARISH DRAINAGE DISTRICT NO. 2
SLIDELL, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET TO ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

(See Accountants' Compilation Report)

	<u>Actual</u>	<u>*Adjustment to Budgetary Basis Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Final Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<u>REVENUES:</u>					
Acreage fees	\$ 53,100	\$ 11,813	\$ 64,913	\$ 82,680	\$ (17,767)
Total revenues	<u>53,100</u>	<u>11,813</u>	<u>64,913</u>	<u>82,680</u>	<u>(17,767)</u>
<u>EXPENDITURES:</u>					
General Government:					
Maintenance and repairs	18,146	(18,146)	-	46,885	46,885
Equipment rental	92,879	(49,342)	43,537	18,000	(25,537)
Utilities	4,191	-	4,191	37,465	33,274
General and administrative	142	-	142	134	(8)
Accounting and legal fees	1,200	-	1,200	1,200	-
Tax roll fee	49	-	49	3,000	2,951
Contingency	-	-	-	11,000	11,000
Total expenditures	<u>116,607</u>	<u>(67,488)</u>	<u>49,119</u>	<u>117,684</u>	<u>68,565</u>
Excess (deficiency) of revenues over expenditures	(63,507)	79,301	15,794	<u>\$ (35,004)</u>	<u>\$ 50,798</u>
FUND BALANCE, BEGINNING (as restated)	<u>79,016</u>	<u>(76,893)</u>	<u>2,123</u>		
FUND BALANCE, ENDING	<u>\$ 15,509</u>	<u>\$ 2,408</u>	<u>\$ 17,917</u>		

*Note: The budget is prepared on the cash basis of accounting. Because the legally prescribed budgetary basis differs materially from generally accepted accounting principles, actual amounts in the accompanying budgetary comparison statements are presented on the budgetary basis.

OTHER SUPPLEMENTARY INFORMATION

ST. TAMMANY PARISH DRAINAGE DISTRICT NO. 2
SLIDELL, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2018

(See Accountants' Compilation Report)

Jeffrey Vallee,
Chairman

Time served

01/01/18
through
12/31/18

There were no payments to the agency head during 2018.

**OTHER REPORTING REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

ST. TAMMANY PARISH DRAINAGE DISTRICT NO. 2
SLIDELL, LOUISIANA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

<u>Ref. No.</u>	<u>Description of Finding</u>	<u>Action Taken</u>
2018-01	The District did not amend its budget when budgeted revenues exceeded actual revenues by an unfavorable variance of greater than 5%.	The District will review and amend future budgets when unfavorable variances exist.
2018-02	The District did not submit compiled financial statements to the Louisiana Legislative Auditor within six months of year-end.	The District will engage a CPA to perform future compilation engagements on a timely basis.