

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

ANNUAL FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2020



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

A Professional Accounting Corporation

Livingston Parish Gravity Drainage District #2
Watson, Louisiana
Table of Contents
As of and for the Year Ended December 31, 2020

	Statement	Page
Independent Auditor's Report	-	1
Required Supplemental Information Management's Discussion & Analysis		3
Government-Wide Financial Statements:		
Statement of Net Position	A	9
Statement of Activities	B	10
Fund Financial Statements:		
Balance Sheet - General Fund	C	12
Reconciliation of the Governmental Fund Balance Sheet to the Government-Wide Statement of Net Position	D	13
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance - General Fund	E	14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities	F	15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual - General Fund	G	16
Notes to the Financial Statements	-	17
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 Governemnt Auditing Standards	-	26
Schedule of Current Year Audit Findings, Recommendations and Responses	-	28
Schedule of Prior Year Audit Findings	-	29

CHARLES P. HEBERT, CPA

CHRISTOPHER S. JOHNSON, CPA, MBA

ADAM C. HEBERT, CPA

MEMBER

American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants



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

18435 HIGHWAY 22, STE. 2
P.O. BOX 1151
PONCHATOULA, LA 70454
(985) 386-5740 • FAX (985) 386-5742

29644 SOUTH MONTPELIER AVE., STE. B
P.O. BOX 520
ALBANY, LA 70711
(225) 209-6627 • FAX (225) 209-6625

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the general fund and the budgetary comparison statement of the general fund of the Livingston Parish Gravity Drainage District #2, "the District", a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2020, 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Livingston Parish

Gravity Drainage District #2 as of December 31, 2020, 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

The District's December 31, 2019 financial statements were audited by a predecessor auditor. The predecessor auditor expressed an unmodified opinion on those audited financial statements in their report dated June 1, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtain during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 21, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Respectfully Submitted,

Chris Johnson

Hebert Johnson & Associates, Inc.
A Professional Accounting Corporation
Albany, Louisiana
June 21, 2021

Livingston Parish Gravity Drainage District #2
Watson, Louisiana
Management's Discussion and Analysis
December 31, 2020

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, 2020. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the detailed financial statements.

FINANCIAL HIGHLIGHTS

- Net Position on December 31, 2020 was \$2,598,131.
- The Net Position of the Governmental Activities showed an increase of \$261,548 or a 12% increase in 2020.
- The total general fund balance on December 31, 2020 was \$1,022,994. This reflects an actual increase in 2020 to the general fund of \$272,817 or 42.38%.
- At the end of 2020, Unassigned General Fund Balance of \$1,022,634 represents 92% of total General Fund Expenditures.
- The District had a 22% increase in the amount of sales tax revenue in 2020, while experiencing a 4.40% increase in 2019. The sales tax revenue totaled \$1,361,179 in 2020 and \$1,117,093 in 2019 representing 98.05% and 96.76% of the total revenues in each of the respective years.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide financial statements are designed by GASB Statement 34 to change the way in which governmental financial statements are presented. It provides readers a concise "entity-wide" Statement of Net Position and Statement of Activities, seeking to give the user of the financial statements a broad overview of the District's financial position and results of operations in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

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

Livingston Parish Gravity Drainage District #2
Watson, Louisiana
Management's Discussion and Analysis
December 31, 2020

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District like other state and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. The District has one fund, the General Fund, which is a governmental type fund.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus of *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable* resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

The basic governmental fund financial statements can be found on pages 12 through 16 of this report.

Notes to the financial statement. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 through 24 of this report.

STATEMENT OF NET POSITON

The following is a schedule of the District's net position on December 31, 2020 and 2019. 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 2020 and 2019 by a total of \$2,598,131 and \$2,336,583, respectively.

Livingston Parish Gravity Drainage District #2
Watson, Louisiana
Management's Discussion and Analysis
December 31, 2020

Condensed Statements of Net Position

	2020	2019	Increases (Decreases)
		(Restated)	
Assets:			
Cash and Cash Equivalents	\$ 755,104	\$ 591,832	\$ 163,272
Investments	43,808	43,642	166
Receivables, Net of Allowances	246,302	198,808	47,494
Inventories	360	1,822	(1,462)
Prepaid Expenses	24,863	20,473	4,390
Capital Assets, Net of Accumulated Depreciation	1,558,110	1,571,275	(13,165)
Total Assets	2,628,547	2,427,852	200,695
Liabilities:			
Current Liabilities	30,416	91,269	(60,853)
Total Liabilities	30,416	91,269	(60,853)
Net Position:			
Net Investment in Capital Assets	1,558,110	1,571,275	(13,165)
Unrestricted	1,040,021	765,308	274,713
Total Net Position	\$ 2,598,131	\$ 2,336,583	\$ 261,548

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 2020. 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.

Livingston Parish Gravity Drainage District #2
Watson, Louisiana
Management's Discussion and Analysis
December 31, 2020

Condensed Statements of Activities

	<u>2020</u>	<u>2019</u>	<u>Increases (Decreases)</u>
Revenues:			
General Revenues	\$ 1,388,306	\$ 1,154,484	\$ 233,822
Total Revenues	<u>1,388,306</u>	<u>1,154,484</u>	<u>233,822</u>
Expenses:			
Public Works	978,670	1,182,011	(203,341)
Depreciation	148,088	139,694	8,394
Total Expenses	<u>1,126,758</u>	<u>1,321,705</u>	<u>(194,947)</u>
Change in Net Position	<u>261,548</u>	<u>(167,221)</u>	<u>428,769</u>

REVENUES

Sales and use tax revenue increased \$244,086 or 22% in 2020 from the previous year, while interest and miscellaneous revenues decreased by \$10,264 from the previous year. Sales and use tax increased at a greater rate than the previous year due to more purchasing with COVID-19.

EXPENSES

Total operating expenses in 2020 decreased by \$203,341 from the previous year, primarily due to no wetland mitigation payments and engineering decreases.

BUDGETARY HIGHLIGHTS

The final amended budget for revenues in 2020 reflects an increase of \$96,300. This increase was caused during the COVID-19 pandemic as most stores experienced an increase in sales.

In 2020, the District received \$61,256 more than the final amended sales tax revenue budget.

In 2020, the final amended budget for expenditures reflects a decrease of \$43,650 as compared to a decrease of \$370,950 for the final amended budget for expenditures in 2019. The 2020 final amended budget reflected an increase in salaries of \$72,000, an increase in health insurance of \$22,000, a decrease in engineering fees of \$63,950, and a decrease in capital outlay of \$46,600. The District approved raises at the end of 2019 which was not included in the original budget for 2020. Engineering fees decreased due to COVID-19 delaying any projects.

Total actual expenditures in 2020 were more than the final amended budget by \$1,439 or 0.1%, while in 2019 total expenditures were more than the final amended budget by \$42,299 or 2.50%.

**Livingston Parish Gravity Drainage District #2
Watson, Louisiana
Management's Discussion and Analysis
December 31, 2020**

CAPITAL ASSETS

The District's investment in capital assets as on December 31, 2020 and 2019 amounts to \$1,558,110 and \$1,571,275 (net of accumulated depreciation), respectively. This investment in capital assets includes land, buildings, system improvements, machinery, and equipment. The total net decrease in the District's investment in capital assets for 2020 was \$13,165 or 0.80%. The total increase in 2019 was \$367,167 or 31.04%. Major capital assets events during 2020 and 2019 included the following:

2019:

- 2019 Equipment \$113,304 less retired equipment of \$84,087
- 2019 Office Building Construction: \$564,524
- Depreciation expense amounted to \$139,694.

2020:

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

FUTURE EXPENSES

The District is committed to previous years' goals of accomplishing proper maintenance to all major canals, ditches, and lateral drainage channels for the new population demand being experienced within the District. The extreme growth in number of homeowners in the District and the additional drainage impact effects from new developments will require additional cleaning of major drainage channels. Focusing attention on canals which are holding surface water or causing delayed drainage will be pursued by the District in the future with the resources available. Increased expenditures for engineering, mitigation fees, employee salaries, health insurance, general supplies, and capital outlay for related maintenance equipment is estimated in 2021 and beyond. New challenges with subsurface drainage issues are being revealed and resolutions for the citizens will be examined in the future. The commitment by the District with the resources available will only improve the standard of living for the District's citizenry. The District has budgeted in 2021 an amount equal to \$210,000 for Capital Outlay purposes regarding more equipment along with \$97,000 for engineering support expenses, and all other items needed to accomplish the goals stated above. The District will continue to make improvements to existing identified drainage problems in 2021 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.

Basic Financial Statements

Government – Wide Financial Statements

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

Statement A

**Statement of Net Position
December 31, 2020
(With Comparative Totals as of December 31, 2019)**

	Governmental Activities	
	2020	2019 (Restated)
Assets		
Cash and Cash Equivalents	\$ 755,104	\$ 591,832
Investments	43,808	43,642
Sales Tax Receivable, Net of Collection Fees	242,050	198,808
Grant Receivable	4,252	-
Inventories	360	1,822
Prepaid Insurance	24,863	20,473
Land	76,000	76,000
Capital Assets, Net of Accumulated Depreciation	1,482,110	1,495,275
Total Assets	2,628,547	2,427,852
Liabilities		
Accounts Payable	17,322	82,077
Accrued Liabilities	5,258	3,850
Long-Term Liabilities Due Within One Year	7,836	5,342
Total Liabilities	30,416	91,269
Net Position		
Net Investment in Capital Assets	1,558,110	1,571,275
Unrestricted	1,040,021	765,308
Total Net Position	\$ 2,598,131	\$ 2,336,583

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

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

Statement B

**Statement of Activities
For the Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)**

	Governmental Activities	
	2020	2019 (Restated)
Governmental Activities		
Expenses		
Public Works	\$ 978,670	\$ 1,182,011
Depreciation	148,088	139,694
Total Expenses	1,126,758	1,321,705
General Revenues:		
Taxes - Sales	1,361,179	1,117,093
Interest Income	529	933
Gain on Disposition of Assets	-	36,358
Grant Revenue	26,398	-
Miscellaneous	200	100
Total General Revenues	1,388,306	1,154,484
Change in Net Position	261,548	(167,221)
Net Position - Beginning of the Year	2,336,583	2,503,804
Net Position - End of the Year	\$ 2,598,131	\$ 2,336,583

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

Basic Financial Statements

Fund Financial Statements

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

Statement C

**Balance Sheet - General Fund
December 31, 2020
(With Comparative Totals as of December 31, 2019)**

	2020	2019
Assets		
Cash and Cash Equivalents	\$ 755,104	\$ 591,832
Investments	43,808	43,642
Sales Tax Receivable, Net of Collection Fees	242,050	198,808
Grant Receivable	4,252	-
Inventories	360	1,822
Total Assets	\$ 1,045,574	\$ 836,104
 Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	\$ 17,322	\$ 82,077
Accrued Liabilities	5,258	3,850
Total Liabilities	22,580	85,927
 Fund Balances:		
Nonspendable, Inventories	360	1,822
Unassigned	1,022,634	748,355
Total Fund Balances	1,022,994	750,177
 Total Liabilities and Fund Balances	 \$ 1,045,574	 \$ 836,104

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

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

Statement D

**Reconciliation of the Governmental Fund Balance Sheet to the
Government-Wide Statement of Net Position
For the Year Ended December 31, 2020
(With Comparative Totals as of December 31, 2019)**

	2020	2019 (Restated)
Total Fund Balance, Governmental Fund (Statement C)	\$ 1,022,994	\$ 750,177
<p>Amounts reported for Governmental Activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>		
Governmental Capital Assets, Net of Depreciation	1,558,110	1,571,275
<p>Prepaid insurance is not available to pay for current-period expenditures and, therefore, is not reported in the funds.</p>		
	24,863	20,473
<p>Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental funds:</p>		
Compensated Absences	(7,836)	(5,342)
Net Position of Governmental Activities (Statement A)	\$ 2,598,131	\$ 2,336,583

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

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

Statement E

**Statement of Governmental Fund Revenues, Expenditures, and
Changes in Fund Balance - General Fund
For the Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)**

	2020	2019
Revenues:		
Sales Tax Collected	\$ 1,361,179	\$ 1,117,093
Interest	529	933
Grant Revenue	26,398	-
Miscellaneous	200	100
Total Revenues	1,388,306	1,118,126
Expenditures:		
Public Works:		
Salaries	501,195	433,943
Per Diem - Board Members	10,900	12,400
Professional Fees	26,682	34,658
Engineering Fees	97,121	194,332
Health Insurance	59,723	35,610
Insurance	81,758	82,025
Legal	11,329	20,032
Miscellaneous Expense	2,940	9,612
Payroll Taxes	40,248	36,332
Pension Expense	28,389	25,303
Repairs and Maintenance	21,372	34,124
Sales Tax Collection Fees	26,605	22,764
Supplies	47,952	52,974
Telephone	5,022	5,715
Uniforms	11,335	11,684
Utilities	7,995	10,076
Wetlands Mitigation	-	177,750
Capital Outlay	134,923	530,504
Total Expenditures	1,115,489	1,729,838
Excess (Deficiency) of Revenues over Expenditures	272,817	(611,712)
Other Financing Sources (Uses)		
Proceeds from Disposition of Assets	-	60,000
Total Other Financing Sources (Uses)	-	60,000
Net Change in Fund Balance	272,817	(551,712)
Fund Balance - Beginning of the Year	750,177	1,301,889
Fund Balance - End of the Year	\$ 1,022,994	\$ 750,177

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

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

Statement F

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance to the Government-Wide Statement of Activities
For the Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)**

	2020	2019
Net Change in Fund Balance, Governmental Fund (Statement E)	\$ 272,817	\$ (551,712)
 Amounts reported for Governmental Activities in the Statement of Activities are different because:		
 Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Expenditures for Capital Assets:		
Capital Outlay	134,923	530,504
Less:		
Current Year Depreciation	(148,088)	(139,694)
Add accumulated depreciation on capital assets retired during the year	-	110,197
Less cost basis of capital assets retired during the year	-	(133,839)
 Government Funds expense insurance payments when paid. In the Statement of Activities, only the portion applicable to the current year is expensed and the remaining is recorded as prepaid expense.		
Change in Prepaid Insurance	4,390	2,284
 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:		
(Increase) Decrease in Compensated Absences Payables	(2,494)	15,039
 Change in Net Position of Governmental Activities (Statement B)	 \$ 261,548	 \$ (167,221)

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

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

Statement G

**Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (GAAP Basis) and Actual - General Fund
For the Year Ended December 31, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Sales Tax Collected	\$ 1,230,000	\$ 1,300,000	\$ 1,361,179	\$ 61,179
Interest	750	750	529	(221)
Grant Revenue	-	26,300	26,398	98
Miscellaneous Income	-	-	200	200
Total Revenues	<u>1,230,750</u>	<u>1,327,050</u>	<u>1,388,306</u>	<u>61,256</u>
Expenditures				
Public Works:				
Salaries	438,000	510,000	501,195	8,805
Per Diem - Board Members	15,000	11,100	10,900	200
Professional Fees	38,000	29,000	26,682	2,318
Engineering Fees	145,200	81,250	97,121	(15,871)
Health Insurance	38,000	60,000	59,723	277
Insurance	84,000	82,000	81,758	242
Legal	5,000	7,500	11,329	(3,829)
Miscellaneous Expense	1,000	2,500	2,940	(440)
Payroll Taxes	36,000	41,000	40,248	752
Pension Expense	27,000	29,000	28,389	611
Repairs & Maintenance	35,000	24,000	21,372	2,628
Sales Tax Collection Fees	24,000	24,000	26,605	(2,605)
Supplies	60,000	50,500	47,952	2,548
Telephone	6,000	4,800	5,022	(222)
Uniforms	11,000	10,000	11,335	(1,335)
Utilities	9,500	9,000	7,995	1,005
Capital Outlay	185,000	138,400	134,923	3,477
Total Expenditures	<u>1,157,700</u>	<u>1,114,050</u>	<u>1,115,489</u>	<u>(1,439)</u>
Net Change in Fund Balance	73,050	213,000	272,817	59,817
Fund Balance:				
Beginning of the Year	879,939	750,177	750,177	-
End of the Year	<u>\$ 952,989</u>	<u>\$ 963,177</u>	<u>\$ 1,022,994</u>	<u>\$ 59,817</u>

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

Livingston Parish Gravity Drainage District #2
Watson, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2020

1. Summary of Significant Accounting Policies –

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

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

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

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

A. Financial Reporting Entity

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

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

B. Basis of Presentation

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

Basic Financial Statements – Government-Wide Statements

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

Livingston Parish Gravity Drainage District #2
Watson, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2020

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

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

The District does not allocate indirect costs.

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

Basic Financial Statements – Fund Financial Statements

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

The District uses the following fund type:

Governmental Funds:

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

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. On December 31, 2020, it is the only fund of the District.

C. Basis of Accounting and Measurements Focus

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

1. Accrual –

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

Revenues of the District consist principally of sales taxes and interest income. Interest income is recorded when earned. Sales taxes are recorded as revenues when the underlying transaction occurs and meets the availability criteria.

Livingston Parish Gravity Drainage District #2
Watson, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2020

2. Modified Accrual –

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

D. Capital Assets

Capital assets are reported in the government-wide financial statements at historical cost. Additions, improvements, or other capital outlays that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20 - 40 Years
Equipment	5 - 10 Years
Vehicles	5 Years

E. Budgetary Practices

The District utilizes the following budgetary practices:

The Chairperson of the Board prepares the annual budget which is based on what is expected to be collected during the fiscal year and is approved by the Board of Commissioners. The adopted budget constitutes the authority of the District to incur liabilities and authorize expenditures from the respective budgeted funds. Additionally, certain expenditures are approved monthly by the Board before payment. The 2020 budget was discussed in a public hearing and adopted during a meeting of the Board on December 2, 2019. The amended 2020 budget was discussed in a public hearing and adopted during a meeting of the Board on December 7, 2020.

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.

Livingston Parish Gravity Drainage District #2
Watson, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2020

G. Encumbrances

Encumbrances outstanding at year end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. The Governmental Fund's budget is maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and contracts (encumbrances) issued for goods or services not received at year end.

The actual results of operations are presented in accordance with GAAP and the Commission's accounting policies do not recognize encumbrances as expenditures until the period in which the goods or services are received and a liability is incurred. On December 31, 2020, 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, 2020, the accrued liability for unpaid vacation benefits amounted to \$7,836.

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 2020

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, 2019, from which the summarized information was derived.

K. Fund Equity

The District implemented the provisions of Governmental Accounting Standards Board Statement No. 54 which redefined how fund balances are presented in fund financial statements. In the governmental fund financial statements, fund balances are classified as follows:

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

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

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

Livingston Parish Gravity Drainage District #2
Watson, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2020

changes the specified use by taking the same type of action that was employed when the funds were initially committed.

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

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

The details of the fund balances are included in the Balance Sheet – General Fund (page 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 \$764,924 with a carrying amount of \$755,104 on December 31, 2020.

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

Cash and cash equivalents and investments are stated at cost, which approximates market. The following is a summary of cash and cash equivalents and investments on December 31, 2020:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Book Balance	\$ 755,104	\$ 43,808	\$ 798,912
Bank Balance	\$ 764,924	\$ 43,808	\$ 808,732

Livingston Parish Gravity Drainage District #2
Watson, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2020

Custodial Credit Risk-Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may be returned to it.

To mitigate this risk, state law requires for these deposits (or the resulting bank balances) to be secured by federal deposit insurance or the pledge of securities by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The pledged securities are deemed by Louisiana State Law to be under the control and possession and in the name of District regardless of its designation by the financial institution in which it is deposited. As of December 31, 2020, none of the District's bank balance of \$808,732 was exposed to custodial credit risk.

3. Change in Capital Assets –

Capital asset activity for the year ended December 31, 2020 is as follows:

Governmental Activities Capital Assets:	Beginning			Ending
	Balance	Increases	Decreases	Balance
Capital Assets Not Depreciated:				
Land	\$ 76,000	\$ -	\$ -	\$ 76,000
Total Capital Assets Not Being Depreciated:	<u>76,000</u>	<u>-</u>	<u>-</u>	<u>76,000</u>
Capital Assets Being Depreciated				
Buildings and Improvements	1,217,186	8,383	-	1,225,569
Equipment	639,177	126,540	-	765,717
Vehicles	228,084	-	-	228,084
Total Other Capital Assets	<u>2,084,447</u>	<u>134,923</u>	<u>-</u>	<u>2,219,370</u>
Less: Accumulated Depreciation for:				
Buildings and Improvements	(115,950)	(35,648)	-	(151,598)
Equipment	(327,431)	(73,726)	-	(401,157)
Vehicles	(145,791)	(38,714)	-	(184,505)
Total Accumulated Depreciation	<u>(589,172)</u>	<u>(148,088)</u>	<u>-</u>	<u>(737,260)</u>
Total Capital Assets Being Depreciated, Net	<u>1,495,275</u>	<u>(13,165)</u>	<u>-</u>	<u>1,482,110</u>
Total Governmental Activities Capital Assets, Net	\$ <u>1,571,275</u>	\$ <u>(13,165)</u>	\$ <u>-</u>	\$ <u>1,558,110</u>

Depreciation expense for the year ended December 31, 2020 is \$148,088, as reported in the Statement of Activities.

Livingston Parish Gravity Drainage District #2
Watson, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2020

4. Long-Term Debt –

The Livingston Parish Gravity Drainage District #2 has no long-term debt transactions for the year ended December 31, 2020.

5. Leases –

The District has no outstanding capital or operating leases on December 31, 2020.

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

On December 31, 2020, the employees of the District have accumulated and vested \$7,836 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. The District has no plan or provision for other post-employment benefits.

The District has an IRA 403 (b) retirement plan for its employees. Under this defined contribution plan, there is no written guaranteed employer contribution. Employer contributions are discretionary, however; it is the District’s current intention to continue similar timing for discretionary plan contributions based on a percentage of employee contributions determined by the Board. The District’s Board of Commissioners voted to contribute 9.0% of eligible wages if the employee contributed 2% for 2020 which amounts to \$28,389.

7. Per Diem Board Members –

All of the Board of Commissioners receive a per diem of \$100 per meeting for attending each regular or special meetings of the board. All Board Members serve five-year terms. Per diems paid to the board members for 2020 were as follows:

<u>Board Member</u>	<u>Compensation Received</u>
Gene Baker	\$ 2,200
Jimmy Davis	1,800
Brian Enrick	400
Matthew Hughes	400
Charles Kemp	1,600
Murray Morgan Jr.	2,200
Beverly Thames	1,800
Kristopher Wascom	500
	<u>\$ 10,900</u>

Livingston Parish Gravity Drainage District #2
Watson, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2020

8. Schedule of Compensation, Benefits, and Other Payments to Chairman of the Board of Directors

In accordance with Louisiana Revised Statute 24:513A, the following is a Schedule of Compensation and Benefits received by Beverly Thames, Chairman of the Board of Directors, who was the acting agency head for the year ended December 31, 2020:

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

9. Contingencies – Litigation

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

10. Prior Period Adjustments

At December 31, 2020, the District had prior period adjustments related to corrections in Capital Assets. The District recorded depreciation expense in 2019 for \$125,135 which was understated by \$14,559.

	2020
Beginning Net Position Before Prior Period Adjustments	\$ 2,351,142
Adjustment to Depreciation Expense	(14,559)
Beginning Net Position After Prior Period Adjustments	<u>\$ 2,336,583</u>

11. Subsequent Events

Management has evaluated subsequent events and transactions for potential recognition or disclosures in the financial statements through June 21, 2021, the date which the financial statements were available to be issued.

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

CHARLES P. HEBERT, CPA

CHRISTOPHER S. JOHNSON, CPA, MBA

ADAM C. HEBERT, CPA

MEMBER

American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants



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

18435 HIGHWAY 22, STE. 2
P.O. BOX 1151
PONCHATOULA, LA 70454
(985) 386-5740 • FAX (985) 386-5742

29644 SOUTH MONTPELIER AVE., STE. B
P.O. BOX 520
ALBANY, LA 70711
(225) 209-6627 • FAX (225) 209-6625

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Livingston Parish Gravity Drainage District #2, (the District) a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2020, 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 21, 2021.

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 weakness 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 of 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 is required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose; however, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully Submitted,

Chris Johnson

Hebert Johnson & Associates, Inc.
A Professional Accounting Corporation
Albany, Louisiana
June 21, 2021

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

**Schedule of Current Year Audit Findings, Recommendations and Responses
For the Year Ended December 31, 2020**

We have audited the basic financial statements of Livingston Parish Gravity Drainage District #2 as of and for the year ended December 31, 2020 and have issued our report thereon dated June 21, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2020 resulted in an unmodified opinion.

Section I. Summary of Auditor's Report

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

Internal Control

Material Weakness, No Significant Deficiencies, No

Compliance

Compliance Material to Financial Statements, No

b. Federal Awards

Not Applicable

Was a management letter issued? No

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

**Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2020**

Prior Year Findings:

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

Condition:

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

Recommendation:

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

Resolved: Fully

This schedule was prepared by management.