

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

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

**DECEMBER 31, 2007**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/9/08

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June 11, 2008

**INDEPENDENT AUDITOR'S REPORT**

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 and the major fund (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, 2007, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Livingston Parish Gravity Drainage  
District #2

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2007, and the budgetary comparison 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.

In accordance with Government Auditing Standards, we have also issued a report dated June 11, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

*Harris J. Bourgeois, CPA*

Livingston Parish Gravity Drainage  
District #2  
Watson, Louisiana  
Management Discussion and Analysis  
December 31, 2007

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, 2007. 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 Assets on December 31, 2007 were \$884,838.
- \* The Net Assets of the Governmental Activities showed an increase of \$85,069 or a 10.64% increase in 2007.
- \* The total general fund balance at December 31, 2007 was \$523,060. This reflects an actual increase in 2007 to the general fund of \$91,102 or 21.09%.
- \* At the end of 2007, Unreserved General Fund Balance of \$521,304 represents 111.83% of total General Fund Expenditures.
- \* The District had a 10.37% increase in the amount of sales tax revenue in 2007, while experiencing a 35.09% increase in 2006 due to economic growth in the area. The sales tax revenue totaled \$545,635 in 2007 and \$494,383 in 2006 representing 97.92% and 97.89 % of the total revenues in each of the respective years.

**OVERVIEW OF FINANCIAL STATEMENTS**

The management 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 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 now provides readers for the first time a concise "entity-wide" Statement of Net Assets 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 Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and accrued but unpaid interest).

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

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

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

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

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16 through 23 of this report.

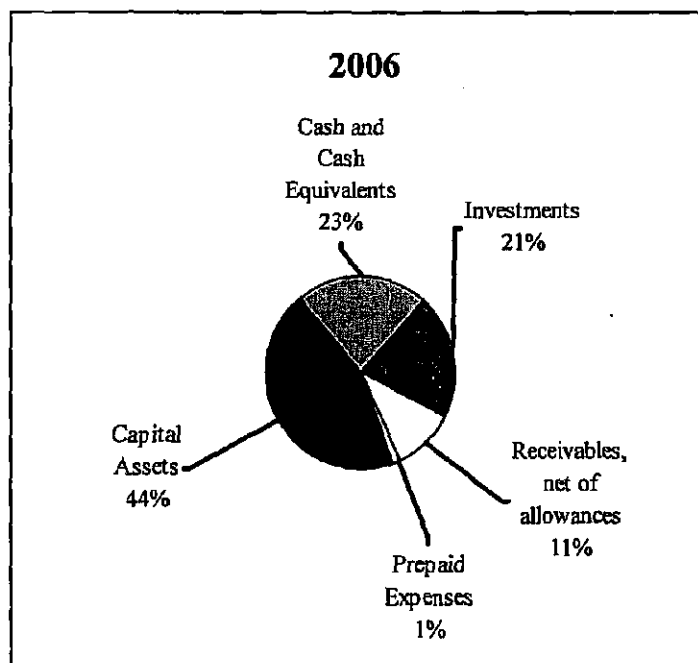
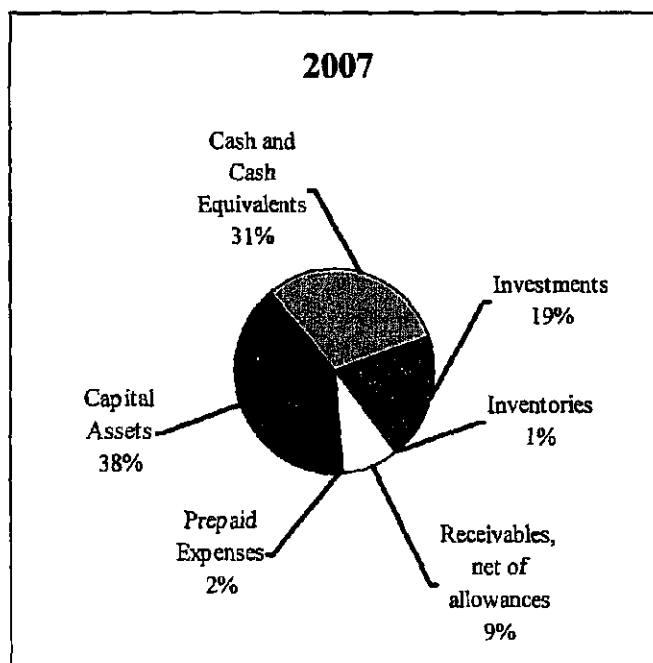
#### STATEMENT OF NET ASSETS:

The following is a schedule of the District's net assets at December 31, 2007 and 2006. Net assets are calculated by taking the difference between the total assets and total liabilities. The District's assets exceeded its liabilities at the close of 2007 and 2006 by a total of \$884,838 and \$799,769, respectively.

### Condensed Statements of Net Assets

	<u>2007</u>	<u>2006</u>	<u>Increases (Decreases)</u>
Cash and Cash Equivalents	\$ 277,349	\$ 182,628	\$ 94,721
Investments	174,506	166,513	7,993
Receivables, net of allowances	82,636	84,460	(1,824)
Inventories	1,756	-	1,756
Prepaid Expenses	14,253	12,079	2,174
Capital Assets, Net of Accumulated Depreciation	<u>347,525</u>	<u>355,732</u>	<u>(8,207)</u>
 Total Assets	 898,025	 801,412	 96,613
 Current Liabilities	 <u>13,187</u>	 <u>1,643</u>	 <u>11,544</u>
 Total Liabilities	 13,187	 1,643	 11,544
 Net Assets			
Invested in Capital Assets, Net of Related Debt	347,525	355,732	(8,207)
Unrestricted	<u>537,313</u>	<u>444,037</u>	<u>93,276</u>
 Total Net Assets	 <u>\$ 884,838</u>	 <u>\$ 799,769</u>	 <u>\$ 85,069</u>

The largest portion of District's net assets are reflected on the following charts:



## **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 extreme 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 2007. 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.

Other sources of revenue results from interest earned.

### **Condensed Statements of Activities**

	<u>2007</u>	<u>2006</u>	<u>Increases (Decreases)</u>
Revenues:			
General Revenues	\$ 557,251	\$ 505,018	\$ 52,233
	<u>557,251</u>	<u>505,018</u>	<u>52,233</u>
Expenses:			
Public Works	409,249	303,068	106,181
Depreciation	62,933	52,052	10,881
	<u>472,182</u>	<u>355,120</u>	<u>117,062</u>
Change in Net Assets	\$ <u>85,069</u>	\$ <u>149,898</u>	\$ <u>(64,829)</u>

### **REVENUES**

- \* Sales and use tax revenue increased \$52,233 or 10.34 % in 2007 from the previous year, while interest revenues increased by \$981. Sales and use tax revenue increased \$128,418 or 35.09 % in 2006 from the previous year.

### **EXPENSES**

Total expenses in 2007 increased by \$117,062. Actual operating expenses increased by a net of \$106,181 and depreciation expense increased by \$10,881. This net increase in operating expense was because of the following:

- \* Increases in wages, employee insurance, other insurances, pension expenses, repairs and maintenance costs, supply costs, and engineering were realized, which resulted in a \$117,062 net operating expense increase for the year.



### **BUDGETARY HIGHLIGHTS**

- \* The final amended budget for revenues in 2007 reflects an increase of \$90,000. This was caused by higher than expected sales tax collections. In 2006, the District had an increase of \$104,400 in its final amended revenue budget.
- \* In 2007, the District received \$12,749 less than the final amended revenue budget or a 2.24% unfavorable variance and in 2006 revenues were greater than the final amended revenue budget by \$34,618 or 7.35% favorable variance.
- \* In 2007, the final amended budget for expenditures reflects an increase of \$79,400 as compared to an increase of \$34,000 for the final amended budget for expenditures in 2006. The 2007 final amended budget reflected an increase in capital outlay expenditures of \$35,000, as compared to the original budget as well as an increase in salaries and planned surplus of \$31,600 combined.
- \* Total actual expenditures in 2007 were less than the final amended budget by \$13,451 or 2.80%, while in 2006 total expenditures were less than the final amended budget by \$9,867 or 2.47%.
- \* An excess for 2007 was planned for in the amount of \$90,400. Actual excess of revenues over expenditures totaled \$91,102, as compared to the budgeted excess amount of \$90,400.

### **CAPITAL ASSETS**

The District's investment in capital assets as of December 31, 2007 and 2006, amounts to \$347,525 and \$355,732 (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery, and equipment. The total decrease in the District's investment in capital assets for 2007 was \$8,207 or 2.31 %. The total increase in 2006 was \$31,666 or a 9.78%. Major capital asset events during the 2007 and 2006 included the following:

#### **2007:**

- \*Excavator equipment with trailer were purchased for \$52,169.
- \*Computer and chainsaw equipment were also purchased for \$2,557.
- \*Depreciation expense amounted to \$62,933.

#### **2006:**

- \* Boom Mower with attachments were purchased for \$80,842
- \* Laser instruments, mower, board room furniture were also purchased for \$2,872.
- \* Depreciation expense amounted to \$52,052.

### **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 development 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, general supplies, and capital outlay for related maintenance equipment is estimated in 2008 and beyond. 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 an amount equal to \$82,100 for Capital Outlay in 2008 as needed to accomplish the goals stated above.

### **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 ASSETS**

DECEMBER 31, 2007  
(With Comparative Totals as of December 31, 2006)

<b>ASSETS</b>	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006</b>
Cash and Cash Equivalents	\$ 277,349	\$ 182,628
Investments	174,506	166,513
Sales Tax Receivable, Net of Collection Fees	82,636	84,460
Inventories	1,756	-
Prepaid Insurance	14,253	12,079
Capital Assets (Net of Accumulated Depreciation)	347,525	355,732
Total Assets	<u>\$ 898,025</u>	<u>\$ 801,412</u>
<b>LIABILITIES</b>		
Accounts Payable	\$ 13,187	\$ 1,643
Total Liabilities	13,187	1,643
<b>NET ASSETS</b>		
Investment in Capital Assets, Net of Related Debt	347,525	355,732
Unrestricted	537,313	444,037
Total Net Assets	<u>884,838</u>	<u>799,769</u>
Total Liabilities and Net Assets	<u>\$ 898,025</u>	<u>\$ 801,412</u>

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, 2007  
(With Comparative Totals for the Year Ended December 31, 2006)**

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
<b>Governmental Activities:</b>		
Expenses:		
Public Works	\$ 409,249	\$ 303,068
Depreciation	<u>62,933</u>	<u>52,052</u>
Total Expenses	472,182	355,120
 General Revenues:		
Taxes - Sales	545,635	494,383
Interest Income	<u>11,616</u>	<u>10,635</u>
Total General Revenues	<u>557,251</u>	<u>505,018</u>
Change in Net Assets	85,069	149,898
 Net Assets - Beginning of Year	<u>799,769</u>	<u>649,871</u>
 Net Assets - End of Year	<u>\$ 884,838</u>	<u>\$ 799,769</u>

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, 2007  
(With Comparative Totals as of December 31, 2006)

**ASSETS**

	<u>2007</u>	<u>2006</u>
Cash and Cash Equivalents	\$ 277,349	\$ 182,628
Investments	174,506	166,513
Sales Tax Receivable, Net of Collection Fees	82,636	84,460
Inventories	<u>1,756</u>	<u>-</u>
Total Assets	<u>\$ 536,247</u>	<u>\$ 433,601</u>

**LIABILITIES AND FUND EQUITY**

**Liabilities:**

Accounts Payable	<u>\$ 13,187</u>	<u>\$ 1,643</u>
Total Liabilities	13,187	1,643

**Fund Equity:**

Fund Balance:

Reserved for Inventories	1,756	-
Unreserved - Undesignated	<u>521,304</u>	<u>431,958</u>
Total Fund Equity	<u>523,060</u>	<u>431,958</u>
Total Liabilities and Fund Equity	<u>\$ 536,247</u>	<u>\$ 433,601</u>

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 ASSETS**

DECEMBER 31, 2007  
(With Comparative Totals as of December 31, 2006)

	<u>2007</u>	<u>2006</u>
<b>Fund Balances - Total Governmental Fund</b>	\$ 523,060	\$ 431,958
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Governmental Capital Assets	553,338	498,612
Less: Accumulated Depreciation	<u>(205,813)</u>	<u>(142,880)</u>
	347,525	355,732
Prepaid Insurance	<u>14,253</u>	<u>12,079</u>
<b>Net Assets of Governmental Activities</b>	<u><u>\$ 884,838</u></u>	<u><u>\$ 799,769</u></u>

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, 2007  
(With Comparative Totals for the Year Ended December 31, 2006)**

	<u>2007</u>	<u>2006</u>
<b>Revenues:</b>		
Sales Tax Collected	\$ 545,635	\$ 494,383
Interest	<u>11,616</u>	<u>10,635</u>
Total Revenues	557,251	505,018
<b>Expenditures:</b>		
Public Works:		
Salaries	146,297	121,308
Per Diem - Board Members	8,200	-
Accounting	9,128	8,473
Engineering Fees	57,664	33,219
Health Insurance	14,946	12,635
Insurance	60,912	49,098
Legal	18	90
Misc. Expense	231	-
Payroll Taxes	12,529	9,997
Pension Expense	6,217	-
Repairs and Maintenance	43,353	25,015
Sales Tax Collection Fees	10,312	10,155
Supplies	33,224	30,675
Telephone	3,972	3,871
Uniforms	2,474	-
Utilities	<u>1,946</u>	<u>1,879</u>
	411,423	306,415
Capital Outlay	<u>54,726</u>	<u>83,718</u>
Total Expenditures	<u>466,149</u>	<u>390,133</u>
Excess of Revenues over Expenditures	91,102	114,885
<b>Fund Balance at Beginning of Year</b>	<u>431,958</u>	<u>317,073</u>
<b>Fund Balance at End of Year</b>	<u><u>\$ 523,060</u></u>	<u><u>\$ 431,958</u></u>

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 GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2007  
(With Comparative Totals for the Year Ended December 31, 2006)**

	<u>2007</u>	<u>2006</u>
<b>Net Change in Fund Balance - Total Governmental Fund</b>	<b>\$ 91,102</b>	<b>\$ 114,885</b>
 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 exceeds depreciation in the period:		
Capital Outlays	54,726	83,718
Depreciation Expense	<u>(62,933)</u>	<u>(52,052)</u>
	(8,207)	31,666
 Change in Prepaid Insurance	 <u>2,174</u>	 <u>3,347</u>
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ 85,069</b>	<b>\$ 149,898</b>

The accompanying notes constitute an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

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

FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
<b>Revenues:</b>				
Sales Tax Collected	\$ 470,000	\$ 560,000	\$ 545,635	\$ (14,365)
Interest	10,000	10,000	11,616	1,616
Total Revenues	480,000	570,000	557,251	(12,749)
<b>Expenditures:</b>				
Public Works:				
Salaries	128,000	149,000	146,297	2,703
Per Diem - Board Members	6,000	8,200	8,200	-
Accounting	13,000	13,000	9,128	3,872
Engineering Fees	49,200	43,700	57,664	(13,964)
Health Insurance	15,000	16,000	14,946	1,054
Insurance	50,000	56,000	60,912	(4,912)
Legal	500	-	18	(18)
Misc. Expense	-	-	231	(231)
Payroll Taxes	12,000	13,000	12,529	471
Pension Expense	2,000	4,500	6,217	(1,717)
Repairs and Maintenance	25,000	42,000	43,353	(1,353)
Sales Tax Collection Fees	10,000	10,000	10,312	(312)
Supplies	30,500	30,500	33,224	(2,724)
Telephone	4,000	4,000	3,972	28
Uniforms	2,500	2,500	2,474	26
Utilities	2,500	2,200	1,946	254
	350,200	394,600	411,423	(16,823)
Capital Outlay	50,000	85,000	54,726	30,274
Total Expenditures	400,200	479,600	466,149	13,451
Excess of Revenues Over Expenditures	79,800	90,400	91,102	702
Fund Balance at Beginning of Year	431,958	431,958	431,958	-
Fund Balance at End of Year	\$ 511,758	\$ 522,358	\$ 523,060	\$ 702

The accompanying notes constitute an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

**(1) Summary of Significant Accounting Policies -**

Livingston Parish Gravity Drainage District #2 "the District" is a body corporate 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, 2007, 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 14, 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 funds 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 (CONTINUED)**

DECEMBER 31, 2007

**B. Basis of Presentation**

**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 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.

In the government-wide Statement of Net Assets, 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 District does not have any program revenues or operating and capital 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 assets 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 (CONTINUED)**

DECEMBER 31, 2007

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, 2007, 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 (CONTINUED)**

DECEMBER 31, 2007

**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.

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 (CONTINUED)**

DECEMBER 31, 2007

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. Encumbrances are presented as a reservation for encumbrances on the Balance Sheet of the governmental fund. At December 31, 2007, the District had no outstanding encumbrances.

**H. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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.

**(2) Cash and Cash Equivalents -**

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 State of Louisiana, 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 \$286,617 with a carrying amount of \$277,349 at December 31, 2007.

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.

Cash and cash equivalents and investments are stated at cost, which approximates market. These deposits must be secured under state law by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. The following is a summary of cash and cash equivalents and investments at December 31, 2007:



**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

	<u>Deposits in Bank Accounts</u>		
	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Deposits in Bank Accounts per Balance Sheet	\$ 277,349	\$ 174,506	\$ 451,855
Bank Balances (Category 3 Only):			
a. Uninsured and Uncollateralized	\$ 84,378	\$ 39,508	\$ 123,886
b. Uninsured and Collateralized with Securities Held by the Pledging Institution	-	-	-
c. Uninsured and Collateralized with Securities Held by the Pledging Institution's Trust Department or Agent, but not in the Entity's Name	134,130	62,804	196,934
Total Category 3 Bank Balances	\$ 218,508	\$ 102,312	\$ 320,820
Total Bank Balances (Regardless of Category)	\$ 286,617	\$ 174,506	\$ 461,123

**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. As of December 31, 2007, \$320,820 of the District's bank balance of \$461,123 was exposed to custodial credit risk because it was uninsured. However, \$196,934 of the uninsured amount was collateralized with securities held by the pledging institution's trust department or agent, but not in the entities' name. \$123,886 was uncollateralized and has been reported as a compliance violation.

**(3) Changes in General Fixed Assets -**

Capital asset activity for the year ended December 31, 2007 is as follows:

<u>Governmental Activities</u>	<u>Balance December 31, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2007</u>
Building and Improvements	\$ 67,039	\$ -	\$ -	\$ 67,039
Equipment	318,703	54,726	-	373,429
Vehicles	90,758	-	-	90,758
Land	22,112	-	-	22,112
Totals	498,612	54,726	-	553,338

(CONTINUED)

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2007

<u>Governmental Activities</u>	<u>Balance December 31, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2007</u>
Less Accumulated				
Depreciation for:				
Buildings and Improvements	(8,086)	(1,891)	-	(9,977)
Equipment	(97,016)	(42,919)	-	(139,935)
Vehicles	<u>(37,778)</u>	<u>(18,123)</u>	<u>-</u>	<u>(55,901)</u>
Total Accumulated				
Depreciation	<u>(142,880)</u>	<u>(62,933)</u>	<u>-</u>	<u>(205,813)</u>
Capital Assets, Net	<u>\$ 355,732</u>	<u>\$ (8,207)</u>	<u>\$ -</u>	<u>\$ 347,525</u>

Depreciation expense for the year ended December 31, 2007 is \$62,933, as reported in the Statement of Activities.

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

The Livingston Parish Gravity Drainage District #2 has no long-term debt transactions for the year ended December 31, 2007.

**(5) Leases -**

The District has no outstanding capital or operating leases at December 31, 2007.

**(6) Litigation -**

At December 31, 2007, there is no litigation pending against the District.

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

At December 31, 2007, the District has no plan or provision for compensated absences or other post employment benefits.

On January 1, 2007, the District adopted a Simplified Employee Pension Plan (SEP) for its employees. Under this defined contribution plan, the District's Board of Commissioners establishes individual retirement accounts for each eligible employee to whom the District will make a contribution as determined on a year to year basis. Because contributions are made to individual retirement accounts, all contributions received by an employee are 100% vested. The employee may select between several investment options. The District does not guarantee the results of these investments. The District's Board of Commissioners voted to match up to 5.0% of eligible wages for 2007 which amounts to \$6,217.

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

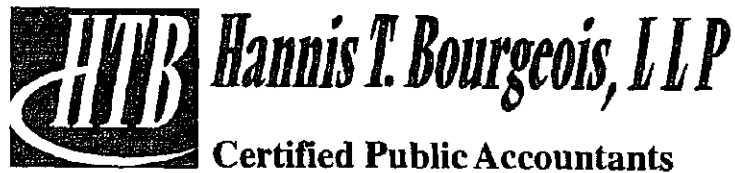
DECEMBER 31, 2007

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

As of January 1, 2007, all of the Board of Commissioners receive a monthly per diem of \$100 per month 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 2007 were as follows:

	<u>Number of Meetings</u>	<u>Amount Received</u>
Charles Kemp	17	\$1,700
Beverly Thames	16	1,600
Fred Baker	16	1,600
Murray Morgan	17	1,700
Jimmy Davis	16	<u>1,600</u>
		\$8,200
		<u>          </u>

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



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Fernand P. Genre, CPA\*  
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June 11, 2008

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

We have audited the financial statements of the governmental activities and the major fund (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, 2007, and have issued our report thereon dated June 11, 2008. 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.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards as Finding 07-1 in the accompanying Schedule of Findings and Questioned Costs.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the management and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

*Hannu L. Bourgeois, CPA*

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

**Current Year Finding:**

**Compliance:**

**Finding 07-1**

As indicated in Note 2 of the basic Financial Statements, the District failed to maintain adequate federal deposit insurance or obtain a sufficient amount of pledged collateral for their Cash and Cash Equivalents and Investments. At December 31, 2007, the District was underinsured by \$123,886. This finding relates to the District's custodial bank failing to pledge adequate securities on the deposits. The lack of adequate collateral was a result of the District transferring funds from a non-interest bearing account to an interest bearing account, thus losing \$100,000 of federal deposit insurance dedicated to the non-interest bearing account.

**Recommendation:**

We recommend that the District more closely monitor the pledged collateral on all deposits and make sure the District's fiscal agents have pledged adequate collateral to insure all deposits. We recommend the District's management contact the fiscal agent bank to request additional collateral when large deposits are made at the end of a month.

**Management's Response:**

Management will have the fiscal agent provide additional pledged collateral and will monitor the pledged collateral more closely.

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

**Compliance:**

**Finding 06-1**

As noted in the prior year financial statements, the District failed to maintain adequate federal deposit insurance or obtain a sufficient amount of pledged collateral for their Cash and Cash Equivalents. At December 31, 2006, the District was underinsured by \$11,445. That finding related to the District's custodial bank failing to pledge adequate securities on the deposits. The lack of adequate collateral was a result of the District transferring funds from one bank to another bank with a new account at year end. The new bank did not have enough time to pledge the necessary securities as the transfer occurred the last day of the year.

**Recommendation:**

We recommended that the District more closely monitor the pledged collateral on all deposits and make sure the District's fiscal agents have pledged adequate collateral to insure all deposits. We also recommended the District's management contact the fiscal agent bank to request additional collateral when large deposits are made at the end of a month.

**Management's Response:**

Management would have the fiscal agent provide additional pledged collateral and would monitor the pledged collateral more closely.

*At December 31, 2007, the District has again failed to maintain federal deposit insurance or obtain sufficient amount of pledged collateral for their cash and investments. The District has failed to monitor their pledged collateral two years in a row, resulting in their second finding in as many years.*