

LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2

REPORT ON AUDIT OF COMPONENT  
UNIT FINANCIAL STATEMENTS

DECEMBER 31, 2014

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## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the major fund (the General Fund), and the budgetary comparison statement of the General Fund of the Livingston Parish Gravity Drainage District # 2, "the District", a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Basis for Modified Opinion**

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

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

### **Opinions**

In our opinion, except for the effect of the matter described in the "Basis for Modified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund (the General Fund) of the Livingston Parish Gravity Drainage District #2 as of December 31, 2014, and the budgetary comparison statement of the General Fund and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited the Livingston Parish Gravity Drainage District #2's December 31, 2013 financial statements, and we expressed a modified opinion on those audited financial statements in our report dated June 30, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with Government Auditing Standards, we have also issued our report dated June 15, 2015, 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 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 an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

*Hannis J. Bougeois, CPA*

Denham Springs, Louisiana  
June 15, 2015

Livingston Parish Gravity Drainage  
District #2  
Watson, Louisiana  
Management's Discussion and Analysis  
December 31, 2014

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, 2014. 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, 2014 was \$1,677,866.
- \* The Net Position of the Governmental Activities showed an increase of \$157,058 or a 10.33% increase in 2014.
- \* The total general fund balance at December 31, 2014 was \$1,145,256. This reflects an actual increase in 2014 to the general fund of \$76,567 or 7.16%.
- \* At the end of 2014, Unassigned General Fund Balance of \$1,143,895 represents 140.20% of total General Fund Expenditures.
- \* The District had a 7.97% increase in the amount of sales tax revenue in 2014, while experiencing a 15.58% increase in 2013. The sales tax revenue totaled \$891,201 in 2014 and \$825,405 in 2013 representing 99.86% and 99.69% of the total revenues in each of the respective years.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

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

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

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

The government-wide financial statements can be found on pages 10 and 11 of this report.

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

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

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

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 through 27 of this report.

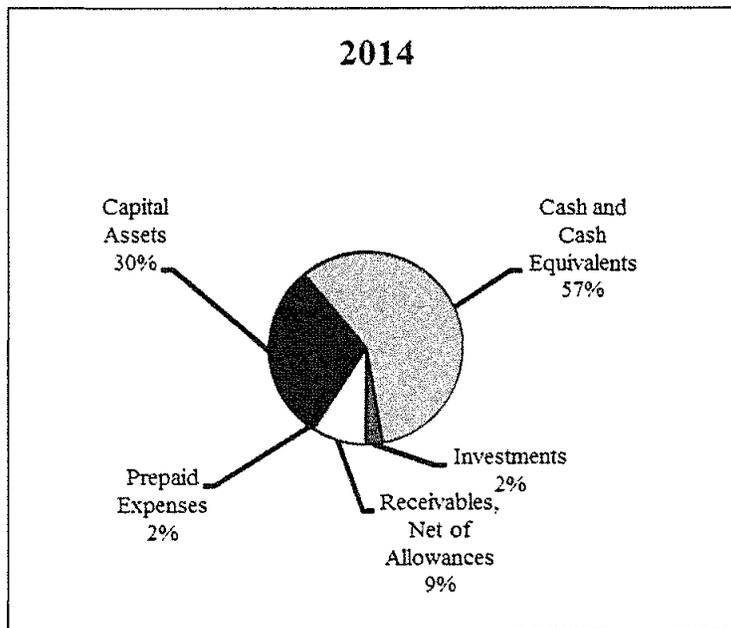
## STATEMENT OF NET POSITION

The following is a schedule of the District's net position at December 31, 2014 and 2013. 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 2014 and 2013 by a total of \$1,677,866 and \$1,520,808, respectively.

Condensed Statements of Net Position

	<u>2014</u>	<u>2013</u>	<u>Increases (Decreases)</u>
Cash and Cash Equivalents	\$ 989,980	\$ 908,098	\$ 81,882
Investments	42,892	42,853	39
Receivables, Net of Allowances	152,684	139,876	12,808
Inventories	1,361	1,611	(250)
Prepaid Expenses	26,336	16,514	9,822
Capital Assets, Net of Accumulated Depreciation	<u>520,786</u>	<u>444,763</u>	<u>76,023</u>
 Total Assets	 1,734,039	 1,553,715	 180,324
 Current Liabilities	 <u>56,173</u>	 <u>32,907</u>	 <u>23,266</u>
 Total Liabilities	 56,173	 32,907	 23,266
 Net Position			
Net Investment in Capital Assets	520,786	444,763	76,023
Unrestricted	<u>1,157,080</u>	<u>1,076,045</u>	<u>81,035</u>
 Total Net Position	 <u>\$ 1,677,866</u>	 <u>\$ 1,520,808</u>	 <u>\$ 157,058</u>

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



## STATEMENT OF ACTIVITIES

The District provides proper maintenance to the existing infrastructure canal and ditch systems for drainage for the citizens of the District. Various improvement projects at certain sites were undertaken as well as the continued ongoing clearing, cleaning, spraying, and general improvement to drainage areas. The continued growth in the number of homeowners in the District and the new challenges and demands for better drainage of water flow throughout the District kept the focus of management in 2014. 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 result from interest earned and culvert sizing fees.

### Condensed Statements of Activities

	<u>2014</u>	<u>2013</u>	Increases (Decreases)
Revenues:			
General Revenues	<u>\$ 892,457</u>	<u>\$ 827,926</u>	<u>\$ 64,531</u>
	892,457	827,926	64,531
Expenses:			
Public Works	686,325	508,782	177,543
Depreciation	<u>49,074</u>	<u>50,258</u>	<u>(1,184)</u>
	<u>735,399</u>	<u>559,040</u>	<u>176,359</u>
Change in Net Position	<u>\$ 157,058</u>	<u>\$ 268,886</u>	<u>\$ (111,828)</u>

### REVENUES

\* Sales and use tax revenue increased \$65,796 or 7.97% in 2014 from the previous year, while interest revenues decreased by \$1,165 or 48.12% from the previous year. Sales and use tax revenue increased \$111,267 or 15.58% in 2013 from the explosive growth in that year.

### EXPENSES

Total operating expenses in 2014 increased by \$177,543 from the previous year and depreciation expense decreased by \$1,184 in 2014 as compared to 2013.

## BUDGETARY HIGHLIGHTS

- \* The final amended budget for revenues in 2014 reflects an increase of \$64,000. This was caused by estimated projection of increased sales tax revenue of \$65,000 with interest decrease of \$1,000. In 2013, the District had an increase of \$123,100 in its final amended revenue budget.
- \* In 2014, the District received \$4,143 less than the final amended revenue budget or a .46 % unfavorable variance and in 2013 revenues were more than the final amended revenue budget by \$2,626 or a .31%, favorable variance.
- \* In 2014, the final amended budget for expenditures reflects an increase of \$5,900 as compared to a decrease of \$37,900 for the final amended budget for expenditures in 2013. The 2014 final amended budget reflected an increase in capital outlay expenditures of \$50,000, and increases in engineering totaling \$21,000. Increases in engineering resulted because of continued costs related to wetland mitigation issues and representation before the US Corps of Engineers.
- \* Total actual expenditures in 2014 were greater than the final amended budget by \$24,290 or 3.06%, while in 2013 total expenditures were less than the final amended budget by \$35,805 or 5.44%.
- \* A surplus of revenues over expenditures in the amount of \$105,000 was planned for 2014. Actual surplus amount of revenues over expenditures totaled \$76,567, as compared to the budgeted surplus amount. This surplus was attributed to increased sales tax revenue and capital outlay increases.

## CAPITAL ASSETS

The District's investment in capital assets as of December 31, 2014 and 2013 amounts to \$520,786 and \$444,763 (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery, and equipment. The total increase in the District's investment in capital assets for 2014 was \$76,023 or 17.09 %. The total increase in 2013 was \$68,781 or 18.29%. Major capital asset events during 2014 and 2013 included the following:

### 2014:

- \* Building design and planned expansion \$83,270.
- \* 2014 Dodge Vehicle \$25,283.
- \* Trash trailer and hauling trailer, and computer \$ 16,544.
- \* Depreciation expense amounted to \$49,074.

### 2013:

- \* Vehicle engine \$6,238.
- \* Cutting Equipment Slashbuster Brush Cutter, Mower attachment Computer for \$112,801.
- \* Depreciation expense amounted to \$50,258.

## **FUTURE EXPENSES**

The District is committed to previous years' goals of accomplishing proper maintenance to all major canals, ditches, and lateral drainage channels for the new population demand being experienced within the District. The extreme growth in the number of homeowners in the District and the additional drainage impact effects from new developments will require additional cleaning of major drainage channels. Focusing attention on canals which are holding surface water or causing delayed drainage will be pursued by the District in the future with the resources available. Increased expenditures for engineering, mitigation fees, employee salaries, general supplies, and capital outlay for related maintenance equipment is estimated in 2015 and beyond. The District is in the progress of constructing a new shop building adjacent to an office and administration building. The commitment by the District with the resources available will only improve the standard of living for the District's citizenry. The District budgeted an amount equal to \$237,550 for Capital Outlay in 2015 as needed to accomplish the goals stated above. The District purchased land in 2010 and 2012 that will continue to make improvements for storage with the construction of a new shop building in 2015-16 and beyond for operations improvements.

## **REQUEST FOR INFORMATION**

The financial report is designed to provide our citizens and creditors with a general overview of the District's finances and reveal the District's accountability for the money received through its operations. If there are any questions about this report or need of additional financial information, contact Administrative Secretary, Randall Smith, Post Office Box 617 Watson, LA 70786.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

STATEMENT OF NET POSITION

DECEMBER 31, 2014  
(With Comparative Totals as of December 31, 2013)

	Governmental Activities	
	2014	2013
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 989,980	\$ 908,098
Investments	42,892	42,853
Sales Tax Receivable, Net of Collection Fees	152,684	139,876
Inventories	1,361	1,611
Prepaid Insurance	26,336	16,514
Capital Assets:		
Land and Construction in Progress	181,382	98,112
Other Capital Assets, Net of Accumulated Depreciation	339,404	346,651
Total Assets	\$ 1,734,039	\$ 1,553,715
<b>LIABILITIES</b>		
Accounts Payable	\$ 31,257	\$ 18,455
Accrued Liabilities	10,404	5,294
Long-Term Liabilities Due Within One Year	14,512	9,158
Total Liabilities	56,173	32,907
<b>NET POSITION</b>		
Net Investment in Capital Assets	520,786	444,763
Unrestricted	1,157,080	1,076,045
Total Net Position	1,677,866	1,520,808
Total Liabilities and Net Position	\$ 1,734,039	\$ 1,553,715

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, 2014  
(With Comparative Totals for the Year Ended December 31, 2013)

	<u>Governmental Activities</u>	
	2014	2013
<b><u>Governmental Activities:</u></b>		
Expenses:		
Public Works	\$ 686,325	\$ 508,782
Depreciation	49,074	50,258
Total Expenses	735,399	559,040
General Revenues:		
Taxes - Sales	891,201	825,405
Interest Income	1,256	2,421
Subsurface Drainage	-	100
Total General Revenues	892,457	827,926
Change in Net Position	157,058	268,886
<b>Net Position - Beginning of Year</b>	1,520,808	1,251,922
<b>Net Position - End of Year</b>	\$ 1,677,866	\$ 1,520,808

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, 2014  
(With Comparative Totals as of December 31, 2013)

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 989,980	\$ 908,098
Investments	42,892	42,853
Sales Tax Receivable, Net of Collection Fees	152,684	139,876
Inventories	<u>1,361</u>	<u>1,611</u>
Total Assets	<u>\$ 1,186,917</u>	<u>\$ 1,092,438</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts Payable	\$ 31,257	\$ 18,455
Accrued Liabilities	<u>10,404</u>	<u>5,294</u>
Total Liabilities	41,661	23,749
Fund Equity:		
Nonspendable:		
Inventories	1,361	1,611
Unassigned	<u>1,143,895</u>	<u>1,067,078</u>
Total Fund Balances	<u>1,145,256</u>	<u>1,068,689</u>
Total Liabilities and Fund Balances	<u>\$ 1,186,917</u>	<u>\$ 1,092,438</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 POSITION

DECEMBER 31, 2014  
(With Comparative Totals as of December 31, 2013)

	2014	2013
Fund Balances - Total Governmental Fund	\$ 1,145,256	\$ 1,068,689
<p>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund</p>		
Governmental Capital Assets	1,208,232	1,083,435
Less: Accumulated Depreciation	(687,446)	(638,672)
	520,786	444,763
Prepaid Insurance	26,336	16,514
<p>Long term liabilities are not due and payable in the current period and therefore not reported in the governmental fund:</p>		
Compensated Absences	(14,512)	(9,158)
Net Position of Governmental Activities	\$ 1,677,866	\$ 1,520,808

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, 2014  
(With Comparative Totals for the Year Ended December 31, 2013)

	2014	2013
<b>Revenues:</b>		
Sales Tax Collected	\$ 891,201	\$ 825,405
Interest	1,256	2,421
Subsurface Drainage	-	100
Total Revenues	892,457	827,926
<b>Expenditures:</b>		
Public Works:		
Salaries	200,476	176,232
Per Diem - Board Members	13,500	12,200
Professional Fees	17,893	24,946
Engineering Fees	115,946	89,173
Health Insurance	17,446	17,131
Insurance	120,504	60,031
Legal	1,601	20,657
Miscellaneous Expense	768	174
Payroll Taxes	20,237	15,852
Pension Expense	6,712	10,795
Repairs and Maintenance	45,962	15,147
Sales Tax Collection Fees	18,640	17,563
Supplies	50,450	33,069
Telephone	4,518	3,722
Uniforms	5,176	3,682
Utilities	4,094	3,082
Wetlands Mitigation	46,870	-
Total Expenditures	690,793	503,456
Capital Outlay	125,097	119,039
Total Expenditures	815,890	622,495
Excess of Revenues Over Expenditures	76,567	205,431
<b>Fund Balance at Beginning of Year</b>	1,068,689	863,258
<b>Fund Balance at End of Year</b>	\$ 1,145,256	\$ 1,068,689

The accompanying notes constitute an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

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

FOR THE YEAR ENDED DECEMBER 31, 2014  
(With Comparative Totals for the Year Ended December 31, 2013)

	2014	2013
<b>Net Change in Fund Balance - Total Governmental Fund</b>	<b>\$ 76,567</b>	<b>\$ 205,431</b>
<p>Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the period:</p>		
Capital Outlays	125,097	119,039
Depreciation Expense	(49,074)	(50,258)
	76,023	68,781
Add accumulated depreciation on capital assets retired during the year	300	-
Less cost basis of capital assets retired during the year	(300)	-
Change in Prepaid Insurance	9,822	(963)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
(Increase) Decrease in Compensated Absences Payables	(5,354)	(4,363)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 157,058</b>	<b>\$ 268,886</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, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues:</b>				
Sales Tax Collected	\$ 830,000	\$ 895,000	\$ 891,201	\$ (3,799)
Interest	2,500	1,500	1,256	(244)
Subsurface Drainage	100	100	-	(100)
Total Revenues	832,600	896,600	892,457	(4,143)
<b>Expenditures:</b>				
Public Works:				
Salaries	195,000	195,000	200,476	(5,476)
Per Diem - Board Members	15,000	13,500	13,500	-
Professional Fees	50,000	20,000	17,893	2,107
Engineering Fees	87,200	108,200	115,946	(7,746)
Health Insurance	32,000	18,000	17,446	554
Insurance	77,000	118,000	120,504	(2,504)
Legal	10,000	3,500	1,601	1,899
Miscellaneous Expense	-	1,400	768	632
Payroll Taxes	17,500	18,000	20,237	(2,237)
Pension Expense	12,000	9,000	6,712	2,288
Repairs and Maintenance	15,000	45,000	45,962	(962)
Sales Tax Collection Fees	18,500	19,000	18,640	360
Supplies	31,500	52,000	50,450	1,550
Telephone	5,000	4,500	4,518	(18)
Uniforms	5,000	5,000	5,176	(176)
Utilities	5,000	4,500	4,094	406
Wetlands Mitigation	150,000	47,000	46,870	130
	725,700	681,600	690,793	(9,193)
Capital Outlay	60,000	110,000	125,097	(15,097)
Total Expenditures	785,700	791,600	815,890	(24,290)
Excess of Revenues Over Expenditures	46,900	105,000	76,567	(28,433)
<b>Fund Balance at Beginning of Year</b>	1,068,689	1,068,689	1,068,689	-
<b>Fund Balance at End of Year</b>	\$ 1,115,589	\$ 1,173,689	\$ 1,145,256	\$ (28,433)

The accompanying notes constitute an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2014

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

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

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

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

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 30, 2014, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

**A. Financial Reporting Entity**

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

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

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014

B. Basis of Presentation

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

Basic Financial Statements - Government-Wide Statements

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

The government-wide Statement of Activities reports both the gross and net cost of the District's functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants reflects capital-specific grants. The District does not have any program revenues or operating grants in 2014.

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

The District does not allocate indirect costs.

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

Basic Financial Statements - Fund Financial Statements

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

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014

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, 2014, 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, 2014

D. Capital Assets

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

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

E. Budgetary Practices

The District utilizes the following budgetary practices:

The Chairperson of the Board prepares the annual budget which is based on what is expected to be collected during the fiscal year and is approved by the Board of Commissioners. The adopted budget constitutes the authority of the District to incur liabilities and authorize expenditures from the respective budgeted funds. Additionally, certain expenditures are approved monthly by the Board before payment. The 2014 budget was discussed in a public hearing and adopted during a meeting of the Board on December 2, 2013. The amended 2014 budget was discussed in a public hearing and adopted during a meeting of the Board on December 15, 2014.

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**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014

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 actually received and a liability is incurred. At December 31, 2014, 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, 2014, the accrued liability for unpaid vacation benefits amounted to \$14,512.

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 2013

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, 2013, from which the summarized information was derived.

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014

K. Fund Equity

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

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

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

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

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 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 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.

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014

As confirmed by the fiscal agents, the District had cash and cash equivalents totaling \$997,836 with a carrying amount of \$989,880 at December 31, 2014.

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. The following is a summary of cash and cash equivalents and investments at December 31, 2014:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Book Balance	\$ 989,880	\$ 42,892	\$1,032,772
Bank Balance	\$ 997,836	\$ 42,895	\$1,040,731

*Custodial Credit Risk - Deposits*

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

To mitigate this risk, state law requires for these deposits (or the resulting bank balances) to be secured by federal deposit insurance or the pledge of securities by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The pledged securities are deemed by Louisiana State Law to be under the control and possession and in the name of the District regardless of its designation by the financial institution in which it is deposited. As of June 30, 2014, none of the District's bank balance of \$1,040,731 was exposed to custodial credit risk.

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014

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

Capital asset activity for the year ended December 31, 2014 is as follows:

<u>Governmental Activities</u>	<u>Balance December 31, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2014</u>
Capital Assets not being Depreciated:				
Land	\$ 98,112	\$ -	\$ -	\$ 98,112
Construction in Progress	<u>-</u>	<u>83,270</u>	<u>-</u>	<u>83,270</u>
Total Capital Assets not being Depreciated	98,112	83,270	-	181,382
Capital Assets being Depreciated:				
Building and Improvements	204,818	-	-	204,818
Equipment	631,968	16,544	(300)	648,212
Vehicles	<u>148,537</u>	<u>25,283</u>	<u>-</u>	<u>173,820</u>
Total Capital Assets being Depreciated	985,323	41,827	(300)	1,026,850
Less Accumulated Depreciation for:				
Buildings and Improvements	(35,687)	(6,063)	-	(41,750)
Equipment	(460,634)	(38,762)	300	(499,096)
Vehicles	<u>(142,351)</u>	<u>(4,249)</u>	<u>-</u>	<u>(146,600)</u>
Total Accumulated Depreciation	<u>(638,672)</u>	<u>(49,074)</u>	<u>300</u>	<u>(687,446)</u>
Total Capital Assets being Depreciated, Net	<u>346,651</u>	<u>(7,247)</u>	<u>-</u>	<u>339,404</u>
Total Capital Assets, Net	<u>\$ 444,763</u>	<u>\$ 76,023</u>	<u>\$ -</u>	<u>\$ 520,786</u>

Depreciation expense for the year ended December 31, 2014 is \$49,074, 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, 2014.

**(5) Leases -**

The District has no outstanding capital or operating leases at December 31, 2014.

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014

**(6) Litigation -**

At December 31, 2014, there is no litigation pending against the District.

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

At December 31, 2014, the employees of the District have accumulated and vested \$14,512 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.

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 7.0% of eligible wages for 2014 which amounts to \$6,712.

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

As of January 1, 2007, all of the Board of Commissioners receive a per diem of \$100 per meeting for attending each regular or special meeting of the board. All Board Members serve five year terms. Per diems paid to the board members for 2014 were as follows:

	<u>Number of Meetings</u>	<u>Amount Received</u>
Charles Kemp	28	\$ 2,800
Beverly Thames	28	2,800
Gene Baker	25	2,500
Murray Morgan	26	2,600
Jimmy Davis	28	<u>2,800</u>
		<u>\$13,500</u>

**(9) Schedule of Compensation, Benefits, and Other Payments to Chairman of the Board of Directors -**

In accordance with Louisiana Revised Statute 24:513A, the following is a Schedule of Compensation and Benefits received by Charles Kemp, Chairman of the Board of Directors, who was the acting agency head for the year ended December 31, 2014:

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014

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

**(10) Contingency -**

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

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

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014

**(11) Current Accounting Pronouncements -**

In June 2012, the Governmental Accounting Standards Board issued GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27." The principal objective of this Statement is to improve the usefulness of information for decisions made by the various users of the general purpose external financial reports (financial reports) of governments whose employees - both active employees and inactive employees - are provided with pensions. One aspect of that objective is to provide information about the effects of pension-related transactions and other events on the elements of the basic financial statements of state and local governmental employers. This information will assist users in assessing the relationship between a government's inflows of resources and its total cost (including pension expense) of providing government services each period. Another aspect of that objective is to provide users with information about the government's pension obligations and the resources available to satisfy those obligations. An additional objective of this Statement is to improve the information provided in government financial reports about pension-related financial support provided by certain nonemployer entities that make contributions to pension plans that are used to provide benefits to the employees of other entities. This Statement will be required to be adopted by the District for fiscal year ending December 31, 2015.

Management is currently evaluating the effects of the new GASB pronouncement scheduled for implementation for fiscal year ending December 31, 2015. Management currently believes the implementation of GASB 68 will not have a material effect on the District's financial statements as the District does not participate in a defined benefit retirement plan.

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Livingston Parish Gravity Drainage District #2, (the District) a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2014, 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 15, 2015.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **Purpose of this Report**

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

Respectfully submitted,

*Harris J. Bourgeois, LLP*

Denham Springs, Louisiana  
June 15, 2015

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

**SCHEDULE OF FINDINGS AND RESPONSES**

FOR THE YEAR ENDED DECEMBER 31, 2014

**Current Year Findings:**

**Internal Control Over Financial Reporting**

None

**Compliance and Other Matters**

None

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2014

**Prior Year Findings:**

**Internal Control Over Financial Reporting**

None

**Compliance and Other Matters**

2013-01 - Failure to maintain bank account balance collateralized as required by LSA RS 39:1225

Criteria:

Louisiana Revised Statute 39:1225 requires political subdivisions of the State of Louisiana to require its fiscal agent bank to insure and pledge securities to collateralize 100% of the deposits held by the fiscal agent bank.

Condition:

For the year ended December 31, 2013, the amount of federal deposit insurance and the market value of securities pledged by the fiscal agent bank amounted to \$903,358 while the amount deposited at the bank was \$916,272. There was \$12,914 of the deposited balance that was not covered by insurance or by securities pledged by the fiscal agent bank as required by LSA RS 39:1225.

Effect:

The District was not in compliance with LSA RS 39:1225 due to the fiscal agent bank not pledging enough securities to collateralize the District's deposited bank balance.

Recommendation:

We recommended for the District to 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 the month.

Management's Response:

As in other years, the District relies upon its fiscal agent bank to insure and pledge securities in order to collateralize 100% of the deposits held by the fiscal agent bank.

**LIVINGSTON PARISH GRAVITY DRAINAGE  
DISTRICT #2**

SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2014

During 2013, the sales tax amounts increased substantially at year end resulting in a larger amount being deposited from sales tax revenues at year end. Management's reliance on Capital One Bank, Public Funds Department as our fiscal agent continued to be strong and with compliance in past years. It appears that for a short period of time when unexpected larger revenue amounts were received into the District's bank accounts, the fiscal agent miscalculated the amount to pledge to cover 100% the funds on hand (\$916,272). The miscalculation was short by \$12,914.

The District has expressed its displeasure with the failure by its fiscal agent and will begin requiring Capital One to contact the District once every month to ensure that pledged collateral are in an amount to secure 100% of the funds versus the 98.60% for that short period in 2013 as encountered at year end.

Corrective Action Taken:

In the current year, we noted that the District's fiscal agents have pledged adequate collateral to insure all deposits.