

LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #2

REPORT ON AUDIT OF BASIC
FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

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 8-4-04

CONTENTS

Independent Auditor's Report.....	Page 1 - 2
Required Supplemental Information	
Management's Discussion and Analysis.....	3 - 8
Government-Wide Financial Statements:	
Comparative Statements of Net Assets.....	9
Comparative Statements of Activities	10
Fund Financial Statements:	
Comparative Balance Sheets - Governmental Fund.....	11
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets.....	12
Comparative Statements of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund.....	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Fund to the Statement of Activities.....	14
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual - General Fund.....	15 - 16
Notes to the Financial Statements.....	17 - 25
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Basic Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	26 - 27



Hannis T. Bourgeois, LLP

Certified Public Accountants

Randy J. Bonneau, CPA*
Joseph D. Richard, Jr., CPA*
Ronnie E. Stamper, CPA*
Fernand P. Genre, CPA*
Stephen M. Huggins, CPA*
Monica L. Zumo, CPA*
Ronald L. Gagnet, CPA*
Douglas J. Nelson, CPA*
Celeste D. Viator, CPA*
Russell J. Resweber, CPA*
Laura E. Monroe, CPA*

1175 Del Este Avenue, Suite B
Denham Springs, LA 70726
Phone: (225) 665-8297
Fax: (225) 667-3813

*Members American Institute of
Certified Public Accountants*

2322 Tremont Drive, Suite 200
Baton Rouge, LA 70809

R. David Wascom, CPA
* A Professional Accounting Corporation

June 15, 2004

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of the Livingston Parish Gravity Drainage District #2, "the District" (a component unit of the Livingston Parish Council), as of and for the years ended December 31, 2003 and 2002, as listed in the table of contents. These financial statements are the responsibility of the District. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

As described in Note 1 to the basic financial statements, the Livingston Parish Gravity Drainage District #2 adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments; and Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of January 1, 2002. This results in a change in the format and content of the basic financial statements.

Livingston Parish Gravity Drainage
District #2

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Livingston Parish Gravity Drainage District #2 as of December 31, 2003 and 2002, and the results of its operations for the years 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 15, 2004, 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 grants. That report is an integral part of our audit performed in accordance with Government Auditing Standards and should be used in conjunction with this report in considering 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 the Governmental Accounting Standards Board. 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, 2003

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 years ended December 31, 2003 and 2002. 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, 2003 and 2002 was \$494,995 and \$442,120, respectively.
- * The Net Assets of the Governmental Activities showed an increase of \$52,875 or a 11.95% increase in 2003, and an increase of \$97,205 or a 28.19% increase in 2002.
- * The total general fund balance at December 31, 2003 and 2002 was \$306,256 and \$302,166, respectively. This reflects an actual increase in 2003 to the general fund of \$4,090 or 1.36 %. In 2002, the general fund balance increased \$14,555 or 5.06 %.
- * At the end of 2003, Unreserved General Fund Balance of \$306,256 represents 98.71% of total General Fund Expenditures.
- * The District had a 23.23% increase in the amount of sales tax revenue in 2003, while experiencing a 18.37 % increase in 2002 due to economic growth in the area. The sales tax revenue totaled \$311,902 in 2003 and \$253,118 in 2002 representing 99.22% and 97.68 % 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 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 25 of this report.

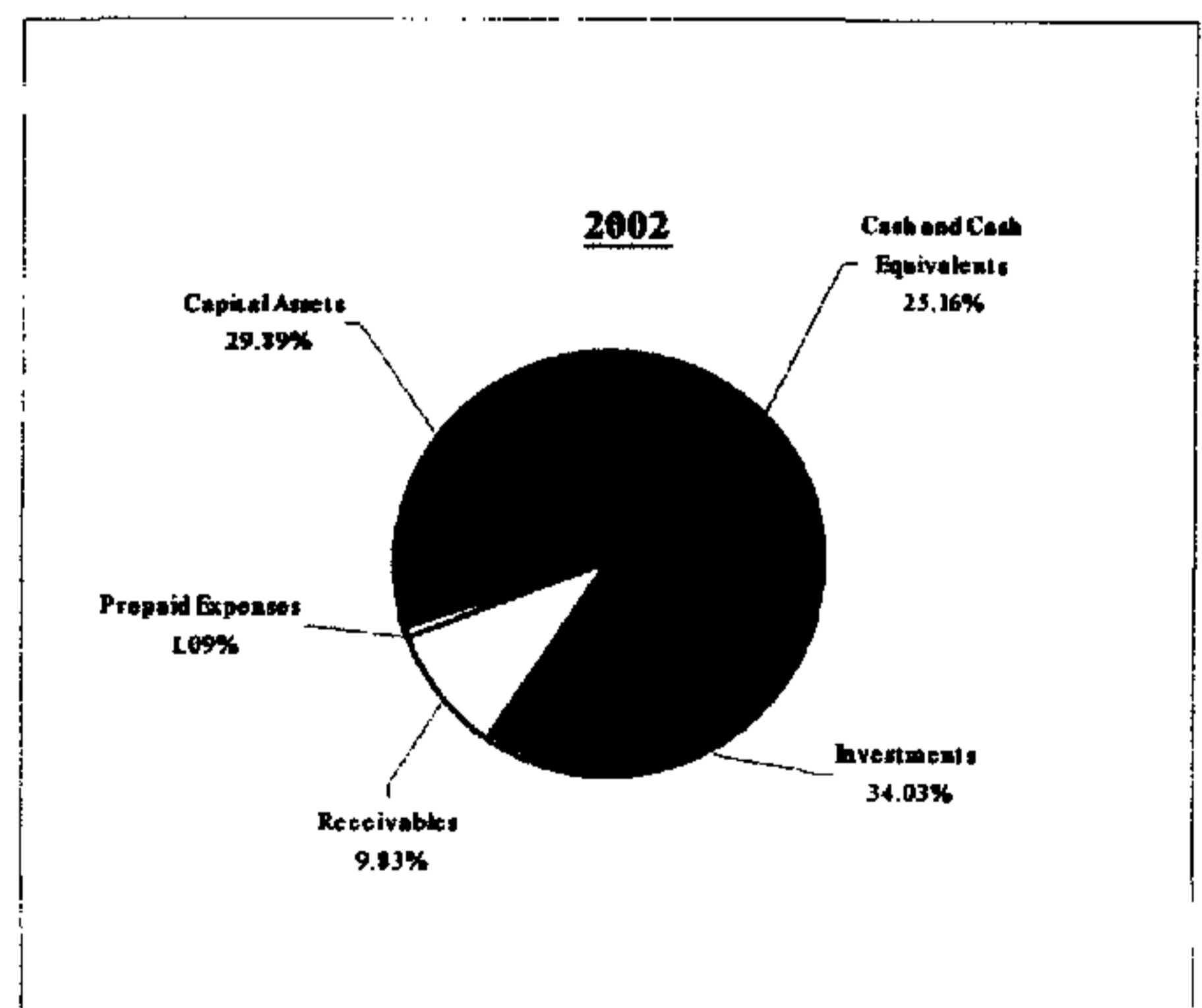
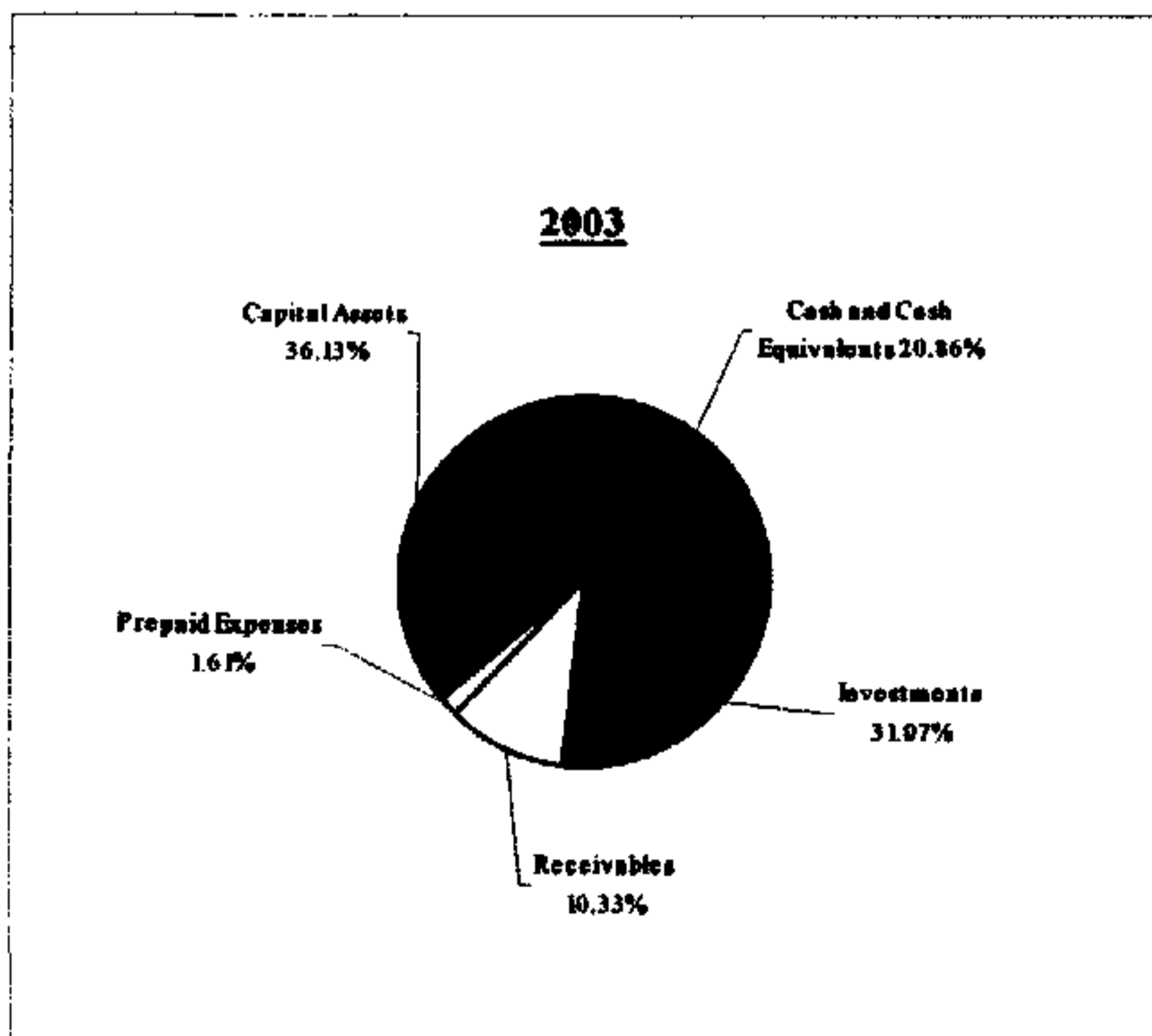
STATEMENT OF NET ASSETS:

The following is a schedule of the District's net assets at December 31, 2003 and 2002. 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 2003 and 2002 by a total of \$494,595 and \$442,120, respectively.

Condensed Statements of Net Assets

	<u>2003</u>	<u>2002</u>	<u>Increases (Decreases)</u>
Cash and Cash Equivalents	\$ 104,288	\$ 113,620	\$ (9,332)
Investments	155,387	153,729	1,658
Receivables, net of allowances	51,676	44,384	7,292
Prepaid Expenses	8,046	4,931	3,115
Capital Assets, Net of Accumulated Depreciation	<u>180,693</u>	<u>135,023</u>	<u>45,670</u>
 Total Assets	 500,090	 451,687	 48,403
 Current Liabilities	 <u>5,095</u>	 <u>9,567</u>	 <u>(4,472)</u>
 Total Liabilities	 5,095	 9,567	 (4,472)
 Net Assets			
Invested in Capital Assets, Net of Related Debt	180,693	135,023	45,670
Unrestricted	<u>314,302</u>	<u>307,097</u>	<u>7,205</u>
 Total Net Assets	 <u>\$ 494,995</u>	 <u>\$ 442,120</u>	 <u>\$ 52,875</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 2003 and 2002. Most 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. The sales and use tax revenue provision must be renewed with a tax election 20 years after the original issuance date which was July 1, 1997.

Other sources of revenue results from interest earned.

Condensed Statements of Activities

	<u>2003</u>	<u>2002</u>	<u>Increases (Decreases)</u>
Revenues:			
General Revenues	\$ 314,356	\$ 259,130	\$ 55,226
	314,356	259,130	55,226
Expenses:			
Public Works	245,198	151,211	93,987
Depreciation	16,283	10,714	5,569
	<u>261,481</u>	<u>161,925</u>	<u>99,556</u>
Change in Net Assets	\$ <u>52,875</u>	\$ <u>97,205</u>	\$ <u>(44,330)</u>

REVENUES

- * Sales and use tax revenue increased \$58,784 or 23.22 % in 2003 from the previous year. Sales and use tax revenue increased \$39,274 or 18.37 % in 2002.

EXPENSES

Total expenses in 2003 increased by \$99,556 or 61.48 %. This increase was because of the following:

- * Increased staff positions to operate maintenance procedures on drainage canals with employees versus contracted services which caused a \$13,967 increase along with health insurance coverage causing a \$5,075 increase.

- * Engineering fees increased due to extreme growth of subdivision construction in the District and the drainage impact reviews required along with engineering for several special improvement projects in 2003. The 2003 increase amounted to \$34,882 from the prior year.
- * Insurance increased in 2003 by \$16,954 from prior year due to added assets requiring property coverage as well as an increase in workers compensation insurance expense due to increased payroll salaries.
- * A wetland mitigation expense was required to be paid as per the US Army Corps of Engineers in 2003 in order to proceed with a major drainage canal cleaning procedure. The mitigation expense totaled \$23,950 in 2003.
- * Legal expenses increased in 2003 by \$4,231 due to the required filings with the Livingston Parish Clerk of Court.

BUDGETARY HIGHLIGHTS

- * The final amended budget for revenues in 2003 reflects an increase of \$50,000. In 2002, the District only had an increase of \$4,000 in its final amended revenue budget.
- * In 2003, the District exceeded the final revenue budget by \$14,356 or 4.78% and in 2002 exceeded the final revenue budget by \$17,130 or 7.08%.
- * In 2003, the final amended budget for expenditures reflects an increase of \$78,000 and \$4,000 for the final amended budget for expenditures in 2002. Engineering fees for drainage reviews and planning as well as special mitigation fees required and increased capital outlay composed the increase of expenditures in 2003.
- * Total actual expenditures in 2003 were less than the final amended budget by \$17,734 or 5.41%, while in 2002 total expenditures exceeded the final amended budget by \$2,575 or by only 1.06%.

CAPITAL ASSETS

The District's investment in capital assets as of December 31, 2003 and 2002, amounts to \$180,693 and \$135,023 (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 2003 was \$45,670 or 33.82%. The total increase in 2002 was \$79,529 or a 143.31%. Major capital asset events during the 2003 and 2002 included the following:

2002:

- * Purchase of various equipment items such as trailers, 4 wheeler, miscellaneous accessories for equipment totaled \$20,134
- * Purchase of Building and construction of an office space and perimeter fencing and gates totaled \$53,909 along with land totaling \$8,500.

- * Purchase of used tractor truck rig for \$7,700.
- * Depreciation expense amounted to \$10,714.

2003:

- * Purchase of land adjacent to existing property for \$13,612.
- * Purchase of tractor, trailer, and machinery totaling \$24,777.
- * Purchase of Ford Truck for \$20,664.
- * Construction of perimeter fence with gates on adjacent land for \$2900.
- * Depreciation expense amounted to \$16,283.

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 the future 2004 and beyond. The commitment by the District with the resources available will only improve the standard of living for the District's citizenry.

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**

COMPARATIVE STATEMENTS OF NET ASSETS

DECEMBER 31, 2003 AND 2002

ASSETS	Governmental Activities	
	2003	2002
Cash and Cash Equivalents	\$ 104,288	\$ 113,620
Investments	155,387	153,729
Sales Tax Receivable, Net of Collection Fees	51,676	44,384
Prepaid Insurance	8,046	4,931
Capital Assets (Net of Accumulated Depreciation)	180,693	135,023
Total Assets	\$ 500,090	\$ 451,687
LIABILITIES		
Accounts Payable	\$ 5,095	\$ 9,567
Total Liabilities	5,095	9,567
NET ASSETS		
Investment in Capital Assets, Net of Related Debt	180,693	135,023
Unrestricted	314,302	307,097
Total Net Assets	494,995	442,120
Total Liabilities and Net Assets	\$ 500,090	\$ 451,687

The accompanying notes constitute an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #2**

COMPARATIVE STATEMENT OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

Governmental Activities:	<u>2003</u>	<u>2002</u>
Expenses:		
Public Works	\$ 245,198	\$ 151,211
Depreciation	<u>16,283</u>	<u>10,714</u>
Total Expenses	261,481	161,925
General Revenues:		
Taxes - Sales	311,902	253,118
Interest Income	2,454	5,762
Miscellaneous	<u>-</u>	<u>250</u>
Total General Revenues	<u>314,356</u>	<u>259,130</u>
Change in Net Assets	52,875	97,205
Net Assets - Beginning of Year	<u>442,120</u>	<u>344,915</u>
Net Assets - End of Year	<u><u>\$ 494,995</u></u>	<u><u>\$ 442,120</u></u>

The accompanying notes constitute an integral part of this statement.

FUND FINANCIAL STATEMENTS

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #2**

COMPARATIVE BALANCE SHEETS - GENERAL FUND

DECEMBER 31, 2003 AND 2002

ASSETS

	<u>2003</u>	<u>2002</u>
Cash and Cash Equivalents	\$ 104,288	\$ 113,620
Investments	155,387	153,729
Sales Tax Receivable, Net of Collection Fees	<u>51,676</u>	<u>44,384</u>
Total Assets	<u>\$ 311,351</u>	<u>\$ 311,733</u>

LIABILITIES AND FUND EQUITY

Liabilities:		
Accounts Payable	<u>\$ 5,095</u>	<u>\$ 9,567</u>
Total Liabilities	5,095	9,567
Fund Equity:		
Fund Balance:		
Unreserved - Undesignated	<u>306,256</u>	<u>302,166</u>
Total Fund Equity	<u>306,256</u>	<u>302,166</u>
Total Liabilities and Fund Equity	<u>\$ 311,351</u>	<u>\$ 311,733</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, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
Fund Balances - Total Governmental Fund	\$ 306,256	\$ 302,166
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	\$ 214,202	\$ 152,249
Less: Accumulated Depreciation	<u>(33,509)</u>	<u>(17,226)</u>
	180,693	135,023
Prepaid Insurance	<u>8,046</u>	<u>4,931</u>
Net Assets of Governmental Activities	<u>\$ 494,995</u>	<u>\$ 442,120</u>

The accompanying notes constitute an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #2**

**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GENERAL FUND**

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
Revenues:		
Sales Tax Collected	\$ 311,902	\$ 253,118
Interest	2,454	5,762
Miscellaneous	-	250
	<u>314,356</u>	<u>259,130</u>
Expenditures:		
Public Works:		
Salaries	61,838	47,871
Accounting	5,049	6,381
Drainage and Small Projects	9,551	19,306
Engineering Fees	68,645	33,763
Health Insurance	5,548	473
Insurance	39,960	23,006
Legal	4,231	-
Payroll Taxes	5,343	4,008
Repairs and Maintenance	10,121	9,288
Sales Tax Collection Fees	6,249	5,063
Supplies	3,259	1,250
Telephone	3,217	1,950
Travel	-	1,335
Utilities	1,352	638
Wetland Mitigation	23,950	-
	<u>248,313</u>	<u>154,332</u>
Capital Outlay	61,953	90,243
	<u>310,266</u>	<u>244,575</u>
Total Expenditures		
Excess of Revenues over Expenditures	4,090	14,555
Fund Balance at Beginning of Year	<u>302,166</u>	<u>287,611</u>
Fund Balance at End of Year	<u>\$ 306,256</u>	<u>\$ 302,166</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 YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
Net Change in Fund Balance - Total Governmental Fund	\$ 4,090	\$ 14,555
<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 exceeds depreciation in the period:</p>		
Capital Outlays	61,953	90,243
Depreciation Expense	<u>(16,283)</u>	<u>(10,714)</u>
	45,670	79,529
Change in Prepaid Insurance	<u>3,115</u>	<u>3,121</u>
Change in Net Assets of Governmental Activities	<u>\$ 52,875</u>	<u>\$ 97,205</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 BALANCES
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND**

FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
Revenues:				
Sales Tax Collected	\$245,000	\$296,000	\$311,902	\$ 15,902
Interest	5,000	4,000	2,454	(1,546)
Total Revenues	250,000	300,000	314,356	14,356
Expenditures:				
Public Works:				
Salaries	70,000	65,000	61,838	3,162
Accounting	6,000	6,000	5,049	951
Drainage and Small Projects	15,000	14,000	9,551	4,449
Engineering Fees	42,200	77,200	68,645	8,555
Health Insurance	6,000	6,000	5,548	452
Insurance	25,000	36,000	39,960	(3,960)
Legal	500	3,000	4,231	(1,231)
Payroll Taxes	6,500	6,500	5,343	1,157
Repairs and Maintenance	17,500	12,600	10,121	2,479
Sales Tax Collection Fees	4,800	5,500	6,249	(749)
Supplies	1,200	3,700	3,259	441
Telephone	2,000	3,000	3,217	(217)
Travel	1,500	-	-	-
Utilities	-	2,000	1,352	648
Wetland Mitigation	8,000	24,500	23,950	550
	206,200	265,000	248,313	16,687
Capital Outlay	43,800	63,000	61,953	1,047
Total Expenditures	250,000	328,000	310,266	17,734
Excess of Revenues over Expenditures	-	(28,000)	4,090	32,090
Fund Balance at Beginning of Year	302,166	302,166	302,166	-
Fund Balance at End of Year	\$302,166	\$274,166	\$306,256	\$ 32,090

The accompanying notes constitute an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #2**

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

FOR THE YEAR ENDED DECEMBER 31, 2002

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues:				
Sales Tax Collected	\$200,000	\$237,000	\$253,118	\$ 16,118
Interest	13,000	5,000	5,762	762
Miscellaneous	-	-	250	250
Grants	25,000	-	-	-
Total Revenues	238,000	242,000	259,130	17,130
Expenditures:				
Public Works:				
Salaries	20,000	46,000	47,871	(1,871)
Accounting	5,000	6,000	6,381	(381)
Drainage and Small Projects	80,000	13,000	19,306	(6,306)
Engineering Fees	29,700	32,400	33,763	(1,363)
Health Insurance	-	-	473	(473)
Insurance	7,500	24,000	23,006	994
Legal	500	-	-	-
Payroll Taxes	1,900	4,600	4,008	592
Repairs and Maintenance	12,500	10,000	9,288	712
Sales Tax Collection Fees	4,000	4,800	5,063	(263)
Supplies	1,200	1,800	1,250	550
Telephone	500	1,700	1,950	(250)
Travel	1,500	1,500	1,335	165
Utilities	-	500	638	(138)
Wetland Mitigation	23,700	-	-	-
Total Expenditures	188,000	146,300	154,332	(8,032)
Capital Outlay	50,000	95,700	90,243	5,457
Total Expenditures	238,000	242,000	244,575	(2,575)
Excess of Revenues over Expenditures	-	-	14,555	14,555
Fund Balance at Beginning of Year	287,611	287,611	287,611	-
Fund Balance at End of Year	\$287,611	\$287,611	\$302,166	\$ 14,555

The accompanying notes constitute an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

(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, 2003, 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, 2003 AND 2002

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.

The District uses the following fund type:

Governmental Funds:

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2003 AND 2002

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, 2003 and 2002, 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.

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.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2003 AND 2002

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.

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.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2003 AND 2002

Encumbrances are presented as a reservation for encumbrances on the Balance Sheet of the governmental fund. At December 31, 2003 and 2002, 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.

I. Change in Accounting Principles and Restatement of Prior Year Fund Equity

For the fiscal year ended December 31, 2003 and 2002, the District implemented the following GASB Standards:

- Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*
- Statement No. 36 - *Recipient Reporting for Certain Shared Nonexchange Revenues*
- Statement No. 37 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*
- Statement No. 38 - *Certain Financial Statement Note Disclosures*
- Interpretation No. 6 - *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The transition from governmental fund balances total equity to net assets for December 31, 2001 is presented below:

	<u>Governmental Activities</u>
Total Fund Balances/Fund Equity, as Previously Reported	\$ 287,611
Prepaid Insurance	1,810
Capital Assets, Net of Depreciation	<u>55,494</u>
Restated Net Assets, December 31, 2001	<u>\$ 344,915</u>

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2003 AND 2002

(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 \$108,232 with a carrying amount of \$104,288 at December 31, 2003 and cash and cash equivalents totaling \$115,255 with a carrying amount of \$113,620 at December 31, 2002.

The District also invests all excess funds in certificates of deposits, which have maturity dates greater than 90 days when purchased, and therefore classified as investments 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, 2003 and 2002, with the related federal deposit insurance and pledged securities, if any:

	December 31, 2003		
	Confirmed Bank Balances	FDIC Insurance	Balance Uninsured
Cash in Banks	\$ 108,232	\$ 100,000	\$ 8,232
Certificates of Deposit – (Maturities Greater Than 90 Days)	<u>155,387</u>	<u>37,130</u>	<u>118,257</u>
Total	<u>\$ 263,619</u>	<u>\$ 137,130</u>	126,489
Uncollateralized - Securities Pledged and Held by the Custodial Bank in the Name of the Fiscal Agent			<u>197,235</u>
Deficiency of FDIC Insurance and Pledged Securities over Cash and Cash Equivalents			\$ None

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2003 AND 2002

	December 31, 2002		
	Confirmed Bank Balances	FDIC Insurance	Balance Uninsured
Cash in Banks	\$ 115,255	\$ 100,000	\$ 15,255
Certificates of Deposit – (Maturities Greater Than 90 Days)	<u>153,729</u>	<u>36,707</u>	<u>117,022</u>
Total	<u>\$ 268,984</u>	<u>\$ 136,707</u>	132,277
Uncollateralized - Securities Pledged and Held by the Custodial Bank in the Name of the Fiscal Agent			<u>237,776</u>
Deficiency of FDIC Insurance and Pledged Securities over Cash and Cash Equivalents			<u>\$ None</u>

(3) Changes in General Fixed Assets -

Capital asset activity for the year ended December 31, 2003 and 2002 is as follows:

<u>Governmental Activities</u>	Balance December 31, 2001	Restatement	Adjusted Balance December 31, 2001	Additions	Deletions	Balance December 31, 2002
Building and Improvements	\$ -	\$ -	\$ -	\$ 53,909	\$ -	\$ 53,909
Equipment	62,006	-	62,006	20,134	-	82,140
Vehicles	-	-	-	7,700	-	7,700
Land	-	-	-	<u>8,500</u>	-	<u>8,500</u>
Totals	62,006	-	62,006	90,243	-	152,249

(CONTINUED)

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2003 AND 2002

<u>Governmental Activities</u>	<u>Balance December 31, 2001</u>	<u>Restatement</u>	<u>Adjusted Balance December 31, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2002</u>
Less Accumulated Depreciation for:						
Buildings and Improvements	-	-	-	927	-	927
Equipment	-	6,512	6,512	8,268	-	14,780
Vehicles	-	-	-	1,519	-	1,519
Total Accumulated Depreciation	-	6,512	6,512	10,714	-	17,226
Capital Assets, Net	<u>\$ 62,006</u>	<u>\$(6,512)</u>	<u>\$ 55,494</u>	<u>\$ 79,529</u>	<u>\$ -</u>	<u>\$ 135,023</u>

<u>Governmental Activities</u>	<u>Balance December 31, 2002</u>	<u>Restatement</u>	<u>Adjusted Balance December 31, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2003</u>
Building and Improvements	\$ 53,909	\$ -	\$ 53,909	\$ 2,900	\$ -	\$ 56,809
Equipment	82,140	-	82,140	24,777	-	106,917
Vehicles	7,700	-	7,700	20,664	-	28,364
Land	<u>8,500</u>	<u>-</u>	<u>8,500</u>	<u>13,612</u>	<u>-</u>	<u>22,112</u>
Totals	152,249	-	152,249	61,953	-	214,202
Less Accumulated Depreciation for:						
Buildings and Improvements	927	-	927	1,550	-	2,477
Equipment	14,780	-	14,780	10,566	-	25,346
Vehicles	<u>1,519</u>	<u>-</u>	<u>1,519</u>	<u>4,167</u>	<u>-</u>	<u>5,686</u>
Total Accumulated Depreciation	17,226	-	17,226	16,283	-	33,509
Capital Assets, Net	<u>\$ 135,023</u>	<u>\$ -</u>	<u>\$ 135,023</u>	<u>\$ 45,670</u>	<u>\$ -</u>	<u>\$ 180,693</u>

Depreciation expense at December 31, 2003 and 2002 is \$16,283 and \$10,714 respectively, 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 years ended December 31, 2003 and 2002.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #2**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2003 AND 2002

(5) Leases -

The District has no outstanding capital or operating leases at December 31, 2003 or 2002.

(6) Litigation -

At December 31, 2003 and 2002, there is no litigation pending against the District.

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

At December 31, 2003 and 2002, the District has no plan or provision for compensated absences, pension plan or other post employment benefits.

(8) Per Diem Paid Board Members -

Only one of the Board of Commissioners receives a monthly per diem of \$60 per month for keeping and maintaining the official board minutes. All Board Members serve five year terms. Per diems paid to the board members for each year were as follows:

	2003	2002
Charles Kemp	\$ 720	\$ 720
Jimmy Hood (Appointed 11/6/01 – Resigned 3/5/02)	-	-
Jimmy McCoy (Appointed 8/7/01 – Resigned 9/3/02)	-	-
Beverly Thames (Appointed 12/5/00)	-	-
Gene Baker	-	-
Kevin Aime (Appointed 4/2/02 – Resigned 12/3/02)	-	-
Billy Tadlock (Appointed 10/1/02)	-	-
Murray Morgan (Appointed 1/7/03)	-	-
	\$ 720	\$ 720

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



Randy J. Bonneau, CPA*
Joseph D. Richard, Jr., CPA*
Ronnie E. Stamper, CPA*
Fernand P. Genre, CPA*
Stephen M. Huggins, CPA*
Monica L. Zumo, CPA*
Ronald L. Gagnet, CPA*
Douglas J. Nelson, CPA*
Celeste D. Viator, CPA*
Russell J. Resweber, CPA*
Laura E. Monroe, CPA*

1175 Del Este Avenue, Suite B
Denham Springs, LA 70726
Phone: (225) 665-8297
Fax: (225) 667-3813

*Members American Institute of
Certified Public Accountants*

2322 Tremont Drive, Suite 200
Baton Rouge, LA 70809

R. David Wascom, CPA
* A Professional Accounting Corporation

June 15, 2004

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

We have audited the basic financial statements of the Livingston Parish Gravity Drainage District # 2, a component unit of the Livingston Parish Council, as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 15, 2004. 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.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards* in the current years.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in

which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the use of management and the Office of the Legislative Auditor, State of Louisiana, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Livingston Parish Gravity Drainage District No. 2 is a matter of public record.

Respectfully submitted,

Hannu J. Bourgeois, CPA